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ABSTRACT

This congressional hearing on the school lunch program dealt with the question of what would happen in those school districts that wanted to exercise an option to either take cash in lieu of commodities from the Department of Agriculture, or commodity letters of credit. Prepared statements are presented from Gene Miller, school food service director, School District of Lancaster, Pennsylvania; Dorothy Van Egmond-Pannell, director, food services, Fairfax County Public Schools, Virginia; and William Verrill, director of food services, Portland Public Schools, Maine. Letters, supplemental materials, and prepared statements from other school food service authorities are included. (JD)

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ED279657

**OVERSIGHT ON ALTERNATIVES TO COMMODITY
DONATION IN THE NATIONAL SCHOOL
LUNCH PROGRAM**

HEARING
BEFORE THE
SUBCOMMITTEE ON ELEMENTARY, SECONDARY,
AND VOCATIONAL EDUCATION
OF THE
COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES
NINETY-NINTH CONGRESS
SECOND SESSION

HEARING HELD IN WASHINGTON, DC, MAY 15, 1986

Serial No. 99-141

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OVERSIGHT ON ALTERNATIVES TO COMMODITY DONATION IN THE NATIONAL SCHOOL LUNCH PROGRAM

THURSDAY, MAY 15, 1986

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON ELEMENTARY, SECONDARY,
AND VOCATIONAL EDUCATION,
COMMITTEE ON EDUCATION AND LABOR,
Washington, DC.

The subcommittee met, pursuant to call, at 9:35 a.m., in room 2175, Rayburn House Office Building, Hon Augustus F. Hawkins (chairman of the subcommittee) presiding.

Members present: Representatives Hawkins, Ford, Goodling, Fawell, McKernan, Armey, and Gunderson.

Staff present: John F. Jennings, counsel, June Harris, legislative specialist; and Mary Jane Fiske, Republican senior legislative associate.

Chairman HAWKINS. The Subcommittee on Elementary, Secondary, and Vocational Education is called to order.

The meeting this morning is on the School Lunch Program, and at the request of Congressman Ford and Congressman Goodling, both of whom are here with us today. This hearing was called to discuss specifically a recent study conducted by the Department of Agriculture, and other matters.

And at this time the Chair would yield to the two gentlemen named to indicate the nature of the hearing and what motivated them to ask the Chair to call this meeting this morning, which the Chair was delighted to do.

Mr. FORD. Mr. Chairman, first I would like to apologize in advance, at 10 o'clock I have to go to the floor to get unanimous-consent request to file a report on the pension bill, and I will return as quickly as possible. But I want to thank the chairman for calling this meeting. Mr. Goodling and I have been interested in this issue for a number of years.

It has been an extraordinarily controversial issue over the years, and has demonstrated to me, quite frankly, degrees of selfishness on the part of people involved in this process at all levels that I didn't, prior to this, know existed. I thought people were just interested in feeding kids. I was pretty naive about that.

There has been a great deal of misinformation attached to this, and it doesn't seem to matter, incidentally, whether we have a Democratic or Republican administration running the Department of Agriculture. They closed their minds to any new thoughts a

(1)

number of years ago, and it doesn't seem to make any difference who is over there, you can't reopen the door to talk to them.

Now, the best we were able to do in 1981, was to get a study authorized, so that we could find out what would happen in those school districts that wanted to exercise an option to either take cash in lieu of commodity, or commodity letters of credit. There was a long, bitter fight even to get the limited number of pilot projects that were provided for in 1981, because there are those who believe that the ancient system of propping up farm prices with Department of Agriculture purchases was threatened, and that we were threatening a basic fundamental right of American agriculture, at least big agriculture, as supported by these programs.

On the other side, there were people who felt that school districts, particularly in my part of the country, and in Mr. Goodling's part of the country, that have access to commodity markets, where they look at us and think we are kind of silly for sending them old materials that have been in storage for a year, when new materials are being given away, literally, in the local marketplace. And that they really ought to be able to use their good sense.

We did some studies prior to 1981, which indicated that many school districts, particularly the larger ones, could save a tremendous amount of money by being permitted to use one, or both of these alternatives, primarily school districts like Detroit, which spends a tremendous amount of money reprocessing the commodities that are received. And this happens all over the country. We had testimony from Idaho, from California, from throughout the country, people talking about how much they put into warehousing and processing in order to use the commodities as they are received from the Department of Agriculture, and how much they could save.

One example, Mr. Chairman, is that every fast food restaurant in the Detroit area can call up any number of suppliers and say "We want x number of hamburger patties weighing 4.5 ounces, or $3\frac{3}{10}$ ounces, or whatever finite measure they want, delivered to each of the following addresses, between the hours of—and give them a front and back number, and it will be done."

On the other hand, the Department of Agriculture comes in and gives them a 75-pound block of frozen hamburger which they then have to take, process with their own labor, and keep, and redistribute in little hamburger patties to the various schools throughout the district that have the facilities for cooking. School districts think that is kind of silly, that everybody in private enterprise can do it, but USDA can't do it.

When you translate the cost, you find that it doesn't save the Department of Agriculture budget any money to let them buy locally, it does save the school district money to let them do that. And that really gets to be the place where we see a degree of bureaucratic obstinance that stands in the way of sound sense.

If you can demonstrate that you save the Department of Agriculture money, it is a good savings. But if you are saving a local school district or a State money, that's not a good saving.

I have, personally, not been able to accept that kind of reasoning. The several disagreeing factions have come to an agreement impos-

ing a sort of moratorium on this fight, while we were trying to get H.R. 7 agreed to, and we are still in conference over that. But we aren't here today to press the fight, as such, but to find out what in the world has happened to the pilot projects.

We understand that last month the USDA transmitted its final report of a 3-year study, and the report shows some things on the positive side, some things on the negative side. We felt that we wanted to be able to ask some questions about what this really represented.

And I look forward to hearing what the witnesses who have been called here today have to say.

Chairman HAWKINS. The Chair yields to Mr. Goodling.

Mr. GOODLING. Thank you, Mr. Chairman.

I would just add one thought to what my colleague from Michigan said. In our attempt to do something that appeared to be logical and practical—and a commonsense approach—we also had an awful lot of opposition from those in your ranks over the years. This made it very difficult to move ahead, because they had been sold the idea that, if you put something out there in cash, they will take that away from you, but they can't take the commodities away from you.

Well, that isn't necessarily the way it works. And the school food service people like to think that I have come a long way in 12 years, and I like to think that they sure have come a long way in 12 years, also.

It is just so silly to ship Washington State apples into the 19th Pennsylvania Congressional District which happens to be one of the apple capitals of the world. Now, they don't ship them quite as far, apples come in from Virginia. Or to ship Pennsylvania apples to Virginia, which likes to think it is the apple capital of the world, too.

And then to ship in meat from across the country, and then send it out and process it. In the meantime, the Government stores it, the State government stores it, somebody ships it, and it is just all silly.

And I am glad that we have had a study now, and I hope we can move forward, so that those who want to go this route can go this route. Those who still have that idea that, somehow or another, they are going to lose something, if they don't stick with commodities—can have commodities.

As Bill said, it doesn't matter which administration is here, we can't seem to make the Department of Agriculture think in very realistic and practical terms.

But, on the other hand, they haven't solved any problems in the agricultural area either in the last 50 years; they just keep getting worse and worse and worse. And I happen to think that the Federal Government probably had something to do with that.

So, I am anxious to hear your testimony. I have a lot of questions to ask. Like Bill, I have to apologize because I am going to be running in and out, I have to testify before the Interior Committee, because I think the people who are responsible for our national parks, get their promotions according to the amount of land they can purchase. Right now, we have 3,600 acres to commemorate the Civil War in Gettysburg. They seem to think 3,600 acres isn't

enough—if some Yankee or some Rebel soldier stepped on ground somewhere, they have to purchase it and preserve it forever. It doesn't help the tax base back home; it doesn't help the farmers, they can't buy the land—it is just a crazy thing.

So I think that is how they get promoted, and so I have to go downstairs and try to stop that, too, today. But I am anxious to hear your testimony. I am anxious to at least get the responses to quite a few questions that I have to ask.

Thank you.

Chairman HAWKINS. Mr. Goodling, we have a Watsonville, CA that has much better apples than either of those puny ones that you mentioned.

Mr. GOODLING. I will bring you some.

Mr. FORD. I am surprised California and Pennsylvania even mention apples in the presence of Michigan, where the real apples come from.

Mr. GOODLING. You are the cherry State.

Chairman HAWKINS. At least you are west of the Mississippi, aren't you? [Laughter.]

Chairman HAWKINS. The witnesses will be called in a panel, including Ms. Dorothy Van Egmond-Pannell, director of the food services, Fairfax County Public Schools of Virginia. Would those whose names are called, please be seated at the witness table—Mr. William Verrill, director of food services, Portland Public Schools, Maine, and Mr. Gene Miller, school food service director, School District of Lancaster, PA.

I understand that one of the witnesses happens to be a constituent of one of the members of the subcommittee, Mr. McKernan. May I yield at this time to Mr. McKernan, who may wish to supplement the introduction of the witnesses, before the committee.

Mr. McKernan, you are recognized.

Mr. McKERNAN. I want to thank you, Mr. Chairman, especially for conducting this hearing, and for having the foresight to invite Bill Verrill, from Portland, ME, as one of the witnesses. He is one of the leaders in this whole area, and has been one of the people who has had, perhaps, one of the most trying experiences with the study. I am pleased that he will have an opportunity to bring the subcommittee up-to-date on exactly what the problems were in Portland, and what he sees as the opportunities for making this program run even better.

Thank you, Mr. Chairman.

Chairman HAWKINS. Thank you.

Ms. Pannell, we will begin with you as the first witness. We look forward to your testimony.

**STATEMENT OF DOROTHY VAN EGMOND-PANNELL, DIRECTOR,
FOOD SERVICES, FAIRFAX COUNTY PUBLIC SCHOOLS, VA**

Ms. PANNELL. Thank you, sir.

Mr. Chairman, and members of the committee, I appreciate the opportunity today to share with you some of the experience we have had as testsites in the alternative for the commodities study.

I am Dorothy Van Egmond-Pannell, director of food services, for Fairfax County Schools in Virginia.

We serve over 100,000 customers a day, including the students at 175 schools and centers, children at 24 daycares, and senior citizens at 14 sites. Managers from several of these schools are here today, along with my deputy superintendent.

Also, in our audience today are many directors and assistant superintendents from all over the country that have been a part of this test site study. They have brought with them statements that we would like to leave with you, if you would accept them.

Chairman HAWKINS. Without objection, all of the statements referred to will be included in the record at the point following the testimony of Mrs. Van Egmond-Pannell. And, also, may the Chair remind the witnesses that we will have all of their statements in their entirety included in the record, so they need not wade through any lengthy statements, but deal with the highlights, and that way we will get an opportunity to question the witnesses, and perhaps, bring out the most significant facts.

Thank you.

Ms. PANNELL. Thank you, Mr. Chairman.

I will just hit the highlights in my testimony. I started in favor of commodities in 1960, while I was a graduate student at the University of Mississippi, I did my research at that time on ways of using commodities.

In 1970, there was a group of people that started to question the commodities being really good purchases. And I am afraid, Mr. Goodling, I was one of those people that have come a long ways, because I very much opposed that.

I happened to be working for the USDA at that time, for 1 year on an Intergovernmental Personnel Act, and you may recall, we served you lunch over there, making commodities look the very best they could.

Fairfax County entered this study sure that an alternative could not work. I wanted to prove that it could not work. I am here today to tell you that an alternative to the commodities can work, has worked, will work.

We have outgrown that program that started in 1937. I have never seen a program change so little as has that program's administration of it, the foods they purchase, as has the commodity program. We think it hinders progress of some school districts. It may work well for some, but others it may not.

We would like to see a local option made a nationwide choice. Your committee has allowed day cares, senior Citizen Nutrition Programs, and Summer Feeding Programs an option for years. Congress, in the 1970's even agreed that the State of Kansas, all school lunch programs could receive cash.

We don't quite understand that, and we would like to be one of them. However, we are not asking you to go that far, because we believe the money should be tied to the agricultural market. We know that the commodity letter of credit could tie itself beautifully to relieving food from the market.

I think the study has shown at least two definites and one which is questionable at this point. The agricultural economies found no negative effects on agriculture, if we were with a letter of credit. The quality control experts came to our schools, took samples of products that we had purchased, they found no negative effects on

the quality of the food that we would serve students, if we purchased the food.

As a statement in the most recent version of the study that really disturbs me that says that we served more sodium in our foods than did other sites. I am here to tell you that no one, no one collected any data that could tell anybody how much salt was in any diet served by any site in that study. It is purely assumptions, and there is no fact behind that statement.

We have reduced, in fact, the salt, the sugar and fat content of our lunches during this period of time. Those questions were never asked us. The data we turned in did not include any recipes that told how much salt, or how much salt was being purchased.

We think we proved some facts about the present Commodity Program. We believe the Commodity Program is too costly for many of us, that the donated foods are too difficult to use for many of us, that the Commodity Program makes it impossible to plan.

Mr. Ford beautifully noted some of those difficulties that we have with planning. The Commodity Program increases waste and lowers student acceptance. The Commodity Program imposes an unnecessary burden on school districts, and we are not sure why. We really do not see a good rationalization. The Commodity Program prevents school districts from doing business locally.

I agree with you, apples coming to us that are already too ripe, that have traveled 1,000 or 2,000 miles when we have apples in Virginia, on the trees rotting, we have trouble with. We would like to purchase those apples locally, and still remove foods from the market.

Back when this study started, we were still preparing foods from what they say is scratch. We were making our own pizza, we were making our own breads. We were paying \$2.33 an hour, today we pay \$4.77 plus 30-percent fringe benefits. We have 75 vacancies that we cannot fill. We need our starting salary to be much higher than it is.

As a result, we have to reduce the number of people. There is not the people in our particular area right now to fill those jobs, the demands are so great.

I have shown in example A in my testimony how much it costs us to prepare hamburger rolls, using Government commodities and putting a value, a fair market value to the commodity. We found that when we prepared—made the rolls ourselves, it would cost us 13.8 cents whereas when we bought them on bid, we could buy a roll that our students recognized as being what the fast foods were serving, and was more acceptable to them, for 5 cents.

Across the country labor costs are escalating much faster than are our food costs. Many school districts are using as much as 60 to 70 percent of their income for labor. I predict if something is not changed with the Commodity Program, if they are forced, these small school districts, to continue to prepare food from scratch, or to bake rolls with flour and the basic products, that we are going to price ourselves out of business. We are going to destroy the school lunch program—labor costs alone will do it.

Why do we like CLOC? We believe it is a viable option. It increases for us the acceptability and the variety in menus. It increases the income to our school food authority, to our local region.

It gives us increased buying power. It increases flexibility. It increases our quality control. It increases our participation. I have cited school district after school district, and our other statements will also confirm this, that we did see an increase in participation.

Sometimes the study did not pick this up as well as we felt it was happening.

The increased inventory control, we were able to reduce the amount of food that we had in inventory, by almost \$1 million at the end of the school year. It is an increase in fairness to the farmer, the local farmer, to the distributors and to the brokers that we are turning to for 70 percent of our food.

Sometimes USDA would buy foods that were already in short supply, such as pears 1 year. The distributor who had estimated his need, based on our bid contracts in this metropolitan area, had purchased several truckloads, so that he could meet his contract, USDA bought pears. He ended up with a warehouse full of pears. He was trying to respond to our bid contract, but we could not hold up our end of the contract, because we had received the Government pears.

So, in fairness to our people locally that we depend on for 70 percent of our food, we have been able to reduce our costs in labor. We have reduced food costs, we have reduced our storage and delivery costs tremendously. We have reduced the inventory, as I stated earlier, and we have reduced hassle.

To try to feed 100,000 customers a day, students that are coming from all different walks of life is no easy job. Add to that not knowing when you are going to get your food. Come to work on a snowy morning and find five car loads backed up to be emptied—you did not know they were coming, frozen food. You have turkey on your menu, you are told you are going to get whole turkeys, and they are going to come in plenty of time.

Thanksgiving comes, we have no turkeys. We get them after Thanksgiving. Those are problems. But a hassle is when you have got ground beef from the Government, and you get an emergency notice that it has been recalled. That is the only ground beef you have, and to take ground beef off the menu that you have planned for the next day, that is a real hassle.

We have reduced waste, plate waste, as well as commodities that have gone to waste in warehouses. We have reduced the prices charged students. We charge our students 75 and 85 cents. We have not gone up since the 1981 school year.

I have shown on page 6 in my testimony the percentage of income spent for food, and the percentage of income spent for labor over periods of years. We are concerned about the study not reflecting as much what our savings were. I don't know if it is because of how complicated that is, the fact that all the time our employees were getting raises, we had to consider that as an increase. But if you did not have to increase that percentage of your income being spent that the raise was, then that was a savings.

And so I am not sure if those were factored in. So, I present those two graphs just for your information.

There are many skeptics out there, as Mr. Goodling said, among our own. And then we do have the administration that seems to

oppose what we are trying to do. I have addressed some of those concerns, and I just want to quickly highlight a few.

There is a concern that USDA can remove surplus foods quicker than we can, and that a CLOC Program could not remove them quickly enough. The study shows that specific foods can be removed and removed rather rapidly. We had salmon on our menu, serving it before the school districts around us knew that they were going to get it. So, if the system is computerized, we can remove things much faster than USDA can.

We may have a political regime process to go through to get food on bid, but we can move a little bit faster than USDA can. So, I can assure you can remove—and this is true across the country.

There is a concern that USDA would provide better quality foods than we would. And quality is in the eye of the beholder. What our students may consider quality may not be what you consider quality. But after all, we have to meet the demands of our local school districts, and those local student tastes.

There is the concern that the large school districts could do fine, but the small districts could not. I have pointed out a couple of people that were in the study that had small districts, and one that I just want to mention to you, and the person that turned me around in this program, after the first year was Holly Smothers, from Ten Sleeps, WY.

She serves approximately 150 a day. She sat next to me in Boston, at our first national meeting of site, and she said that she loved commodities—a commodity letter of credit. She loved the commodity letter of credit. She says, I can use the commodity letter of credit available for hot lunches in a more personal way, a specialized way to suit the likes and dislikes of my customers. We have used more fresh food, and she had been able to purchase locally, and that was important to the economy.

I have sketched out at the end of page 8, and I will not go over it, because each of you gentleman seem to be so aware of how CLOC works. But I have sketched out the process that we went through in receiving CLOC. On page 9 I have presented for your consideration a way a nationwide CLOC system could work. And I will not go over that, to save time.

I would like to end by saying I think there is sort of a side benefit to the CLOC Program, the money that we receive from CLOC, we have to use to purchase foods that are processed domestically. That was not always easy to do, tuna, for example, was difficult to find, someone within the United States that would process tuna. But our contracts, our bid contracts say that each of these foods have to be domestic.

We use not only the commodity letter of credit to buy domestic foods, but as a result of this study, we are specifying that other foods be domestic. And this is true across the country. So, our distributors buy to meet our demands, and I can assure you that what they are doing is filling the orders of the restaurants with the food that we have requested. So, the domestic part can be very important to the local farmer, or to the farmer, generally.

Our concern, yours and mine, has got to be for the good of the program what will work nationwide. For the years that are approaching us in 1990, we need a program that is up-to-date, that will meet

each school district's needs. We ask you please to allow us to continue on the commodity letter of credit, and consider a nationwide option locally, a State option is no option at all.

Thank you, sir.

[Prepared statement of Dorothy Van Egmond-Pannell follows:]

**PREPARED STATEMENT OF DOROTHY VANEGMOND-PANNELL, DIRECTOR,
FOOD SERVICES, FAIRFAX COUNTY SCHOOLS, VIRGINIA**

Mr. CHAIRMAN AND MEMBERS OF THE COMMITTEE, WE APPRECIATE THIS OPPORTUNITY TO SHARE WITH YOU SOME OF THE EXPERIENCES WE HAVE HAD AS TEST SITES IN THE ALTERNATIVE TO COMMODITIES STUDY. I AM DOROTHY VANEGMOND-PANNELL, DIRECTOR OF FOOD SERVICES, FAIRFAX COUNTY (VA) PUBLIC SCHOOLS. WE SERVE OVER 100,000 CUSTOMERS A DAY - INCLUDING THE STUDENTS IN OUR 175 PUBLIC SCHOOLS AND CENTERS, CHILDREN AT 24 DAY CARES, AND SENIOR CITIZENS AT 14 SITES. MANAGERS FROM SEVERAL OF THOSE SCHOOLS ARE HERE TODAY, ALONG WITH DIRECTORS AND SUPERINTENDENTS FROM ALL OVER THE COUNTRY, WHO HAVE BEEN A PART OF THE STUDY WE ARE HERE TO DISCUSS. THEY HAVE STATEMENTS ADDRESSED TO THIS COMMITTEE THAT WE WOULD LIKE TO LEAVE WITH YOU TODAY.

I STARTED VERY MUCH IN FAVOR OF COMMODITIES IN 1960 WHILE A GRADUATE STUDENT AT THE UNIVERSITY OF MISSISSIPPI. I WROTE MY MASTER THESIS ON RESEARCH I HAD DONE ON WAYS TO USE USDA DONATED COMMODITIES.

IN THE LATE 1970S, PEOPLE BEGAN TO QUESTION THE EFFICIENCY OF THE COMMODITIES BEING PURCHASED BY USDA AND HAULED BACK AND FORTH ACROSS THE COUNTRY FOR USE IN THE SCHOOL LUNCH PROGRAM. I SUPPORTED THE PHILOSOPHY OF THE COMMODITY PROGRAM; AND WHILE I WAS HEAD OF THE MANAGEMENT AND TRAINING SECTION OF FOOD AND NUTRITION AT USDA FOR ONE YEAR UNDER THE INTRAGOVERNMENTAL PERSONNEL ACT, I LED A GROUP IN PRESENTING COMMODITIES AT THEIR BEST TO THIS COMMITTEE IN THE SPRING OF 1980.

FAIRFAX COUNTY PUBLIC SCHOOLS FOOD SERVICES ENTERED THIS STUDY AS A TEST SITE OF THE COMMODITY-LETTER-OF-CREDIT IN 1981 TO PROVE IT WOULD NOT WORK. WE WERE UTILIZING COMMODITIES AS BEST AS WE COULD AND BELIEVED IT WAS THE ONLY WAY. Mr. CHAIRMAN, WE FOUND QUITE THE OPPOSITE TO BE TRUE. I AM HERE TODAY TO TELL YOU THE COMMODITY PROGRAM OF 1937, WHICH HAS CHANGED THE LEAST OF ANYTHING I HAVE EVER SEEN, HAS OUTGROWN ITS TIME FOR MANY SCHOOL DISTRICTS. IT IS INEFFICIENT AND HINDERS THEIR PROGRESS. WE CANNOT EXPECT ONE SINGLE FOOD DISTRIBUTION SYSTEM TO MEET EVERYONE'S NEEDS. THAT IS WHAT IS BEING EXPECTED OF THE PRESENT COMMODITY SYSTEM. I AM REPRESENTING A NUMBER OF SCHOOL DISTRICT STUDY SITES. WE KNOW OF HUNDREDS OF SCHOOL DISTRICTS THAT WOULD LIKE TO JOIN US IN ASKING YOU TO CONSIDER A LOCAL OPTION NATIONWIDE OF COMMODITIES AND COMMODITY-LETTER-OF-CREDIT (CLOC).

YOUR COMMITTEE HAS ALLOWED DAY CARES, SENIOR CITIZEN NUTRITION, AND SUMMER FEEDING PROGRAMS AN OPTION FOR YEARS. CONGRESS IN THE LATE 1970S GAVE ALL THE SCHOOL LUNCH PROGRAMS IN THE STATE OF KANSAS THE CASH OPTION. WE ARE NOT ASKING FOR AS MUCH. WE BELIEVE THE MONEY SHOULD BE TIED TO PRODUCTS; THEREFORE, WE ARE ASKING FOR THE CLOC OPTION.

THE STUDY OF THE ALTERNATIVES TO COMMODITIES, WHICH WAS COMPLETED FOR THE ADMINISTRATION IN 1984, SHOWS NO NEGATIVE EFFECTS FROM SCHOOL DISTRICTS RECEIVING AN ALTERNATIVE:

- THE AGRICULTURAL ECONOMISTS FOUND NO NEGATIVE EFFECT ON AGRICULTURE.

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- THE QUALITY CONTROL EXPERTS FROM USDA FOUND NO NEGATIVE EFFECTS ON QUALITY OF FOOD SERVED CHILDREN.
- THE NUTRITIONISTS FOUND NO NEGATIVE EFFECTS ON THE NUTRITIONAL VALUES RECEIVED BY THE CHILDREN IN SCHOOLS TESTING AN ALTERNATIVE.

DURING THE STUDY, WE FOUND THERE WAS A BETTER WAY OF OBTAINING THE FOODS USDA WANTED TO REMOVE FROM THE MARKET. WE WERE FORCED TO ADMIT SOME FACTS ABOUT THE PRESENT COMMODITY PROGRAM.

- A. THE COMMODITY PROGRAM IS TOO COSTLY. USDA CAN BUY SOME FOODS AT A BETTER PRICE, BUT AT THE POINT OF SERVICE, THE PRICE OF THOSE FOODS IS MUCH HIGHER THAN PURCHASING THE PRODUCT LOCALLY. THAT IS DUE TO EXPENSES INVOLVED IN TRANSPORTING, STORING, HANDLING, AND PROCESSING FOODS INTO USABLE PRODUCTS.
- B. THE DONATED FOODS ARE TOO DIFFICULT TO USE. FOODS ARE PACKAGED IN WAYS THAT ARE DIFFICULT TO USE. THEY INCLUDE ITEMS CHILDREN DO NOT LIKE, PRODUCTS OFTEN ARRIVE DAMAGED, AND FOUR PRODUCTS HAVE BEEN RECALLED THIS YEAR FOR FOOD SAFETY REASONS. COMMODITIES INCREASE THE COST OF OPERATING A FOOD SERVICE PROGRAM.
- C. THE COMMODITY PROGRAM MAKES IT IMPOSSIBLE TO PLAN. IN FAIRFAX COUNTY, WE RUN A \$23 MILLION BUSINESS WITH A SMALL, EFFICIENT WAREHOUSE, AS DO OTHER SCHOOL DISTRICTS OUR SIZE. THE UNCERTAINTY OF DELIVERY DATES AND BUNCHING OF DELIVERIES DURING THE SCHOOL YEAR OVERLOADS LOCAL STORAGE FACILITIES, INCREASES COSTS, AND MAKES MENU PLANNING AND PURCHASING DIFFICULT. IT IS FEAST OR FAMINE! OUR COMMERCIAL DELIVERIES COME ACROSS THE U.S. AND ARRIVE ON A SPECIFIC DAY FOR UNLOADING BETWEEN THE HOURS OF 8:00 A.M. AND 1:00 P.M. THAT KIND OF PLANNING IS UNHEARD OF WITH USDA COMMODITIES.
- D. THE COMMODITY PROGRAM INCREASES WASTE AND LOWERS STUDENTS' ACCEPTANCE. TURKEY, FOR EXAMPLE, HAS SO MANY USES, SUCH AS TURKEY HAM, BOLOGNA, SALAMI, AND HOT DOGS. THE COMMODITY PROGRAM GIVES MORE THAN WE CAN USE OF WHOLE TURKEYS. YES, WE CAN HAVE THEM PROCESSED. THE PROCESSING PRICE PER POUND, HOWEVER, IS MORE THAN WHAT WE PAY FOR HOT DOGS ON BID.
- E. THE COMMODITY PROGRAM IMPOSES AN UNNECESSARY BURDEN ON SOME SCHOOL DISTRICTS AND SERVES NO REAL PURPOSE, IT APPEARS, OTHER THAN SATISFYING THOSE WHO ARE AFRAID OF CHANGE.
- F. THE COMMODITY PROGRAM PREVENTS SCHOOL DISTRICTS FROM DOING BUSINESS LOCALLY. APPLES HAVE ROTTED ON THE TREES IN PENNSYLVANIA AND VIRGINIA WHILE WE RECEIVED RAW APPLES FROM ACROSS THE COUNTRY.

POSITIVE EFFECTS OF CLOC

THE STUDY FAILED TO FULLY REFLECT THE POSITIVE EFFECTS THE ALTERNATIVES TO COMMODITIES HAD ON THE LOCAL PROGRAMS. SINCE FAIRFAX IS NOT EXACTLY TYPICAL OF THE MAJORITY OF THE SCHOOL DISTRICTS IN THE NATIONAL SCHOOL LUNCH PROGRAM, I WILL SPEND ONLY A FEW MINUTES ON US.

IN 1975, WE MADE ALL OUR OWN BREADS, BAKERY PRODUCTS, PIZZA, AND OTHER FOODS. WE HAD ENOUGH STAFF AND WE PAID

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\$2.33 PER HOUR. TODAY, WITH CLOC AND THE OPPORTUNITY TO THINK LIKE A BUSINESS MANAGER, WE HAVE DETERMINED THROUGH COMPARATIVE STUDY, THAT WE CANNOT AFFORD TO MAKE OUR OWN BREADS AND PIZZA. WE PAY A STARTING SALARY OF \$4.77 PER HOUR (PLUS 30 PERCENT FRINGE BENEFITS) AND HAVE OVER 75 VACANCIES WE CANNOT FILL. WE CANNOT COMPETE FOR EMPLOYEES AND HAVE TO ELIMINATE THE NEED FOR ADDITIONAL PEOPLE.

LABOR COSTS ARE CONSUMING OVER 70 PERCENT OF SOME SCHOOL DISTRICTS' REVENUE. THIS WILL INCREASE, AND IN MY OPINION, DESTROY THE SCHOOL LUNCH PROGRAM IF AN ALTERNATIVE IS NOT PROVIDED. MANY OF THE SMALL SCHOOL DISTRICTS CANNOT GET THEIR COMMODITIES PROCESSED; THEREFORE, THEY ARE HAVING TO PREPARE FOOD FROM "SCRATCH." THIS REQUIRES A BAKER, EVEN IF THEY SERVE ONLY 200 STUDENTS. SOME BAKERS ARE GOOD, BUT SOME ARE VERY BAD. THE STUDENT IS JUDGING THE HAMBURGER ROLLS BY WHAT HE OR SHE EATS AT McDONALDS. THE ADULTS MAY LOVE IT, BUT THE STUDENTS OFTEN DO NOT. ALL THE TIME, THE LABOR COST GOES UP. USING A FAIRLY AVERAGE SALARY, I HAVE SHOWN YOU IN EXAMPLE A THAT IT COSTS 13.8¢ TO MAKE A ROLL WHILE ON BID WE PAY 5¢.

HAMBURGER ROLLS

from Scratch	\$.138 each*
Purchased	.05 each

*Cost Breakdown

Food Cost	.05
(Value given to commodities)	
Labor Cost	.088
@ \$7.00/hr.	
+ \$1.75 fringe	_____
	\$.138

EXAMPLE A

BETTY BENDER, DIRECTOR OF FOOD SERVICES, DAYTON (OH) SCHOOL DISTRICT, SAYS, "I CANNOT AFFORD TO ACCEPT FREE BUTTER THAT I HAVE TO PAY EMPLOYEES AN AVERAGE OF \$14 PER HOUR TO CUT." INSTEAD, SHE PURCHASES PRE-CUT MARGARINE.

ACROSS THE COUNTRY, LABOR COSTS WILL CAUSE SCHOOL LUNCH PROGRAMS TO PRICE THEMSELVES OUT OF BUSINESS. FEDERAL REIMBURSEMENT RATES HAVE NOT QUITE KEPT UP WITH THE COST INCREASES. WHEN YOUR FOOD COSTS DO NOT INCREASE AS MUCH AS LABOR, YOU CAN SEE THAT THE ESCALATING CLAUSE OF THE NATIONAL SCHOOL LUNCH ACT DOES NOT PROVIDE ADEQUATE FUNDING, PARTICULARLY FOR THE SCHOOL DISTRICTS SERVING 70 PERCENT OR MORE OF THEIR STUDENTS AT FREE OR REDUCED PRICES. THE LOCAL SCHOOL DISTRICTS ARE SUBSIDIZING THEM, AND AS THOSE BUDGETS GET TIGHTER, THAT PRESENTS PROBLEMS.

WHY CLOC?

WHY DO WE LIKE CLOC? WHY DO WE BELIEVE IT IS A VIABLE ALTERNATIVE?

INCREASES ACCEPTABILITY AND VARIETY IN MENUS--RITA HEIMANN, R.D., FOOD SERVICE COORDINATOR, WINDSOR (CT) SCHOOLS, SERVING 65 PERCENT OF THE STUDENTS, WHICH IS UP 13 PERCENT FROM THE BEGINNING OF THE STUDY, SAYS, "I HAVE BEEN ABLE TO PURCHASE THOSE FOODS WHICH THE STUDENTS DO ENJOY -- AND SET HIGHER STANDARDS FOR THOSE FOODS THAN I WAS ABLE TO OBTAIN VIA THE COMMODITY PROGRAM."

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GAYLE M. MORAN, SUPERVISOR OF FOOD SERVICES, TROY (MI) SCHOOL DISTRICT, SERVING 3,500 A DAY, SAYS, "I TRULY FEEL THAT AN ALTERNATIVE TO THE COMMODITY PROGRAM MUST BE CONSIDERED AS A MEANS OF UPDATING OURSELVES WITH WHAT THE STUDENTS' DESIRES ARE. WE HAVE STRONG COMPETITION WITH FAST FOOD PLACES AND CANNOT FORCE STUDENTS TO EAT WHAT WE RECEIVE AS SURPLUS. NUTRITION IS GOOD ONLY IF IT IS CONSUMED."

INCREASES INCOME TO SFA--SPENDING AT LEAST 20 PERCENT MORE ON FOOD LOCALLY IMPROVES THE "BUYING POWER." FOR A SMALL SCHOOL DISTRICT, THAT CAN MEAN THE DIFFERENCE IN GETTING A DELIVERY OR NOT GETTING A DELIVERY.

INCREASES FLEXIBILITY--TERRI ANDERSON, FOOD SERVICE MANAGER, LONGVIEW (WA) SCHOOL DISTRICT #122, SERVING 2,688 A DAY, SAYS, "IT [CLOC] IS MORE FLEXIBLE IN THAT PURCHASED FOODS COULD BE ADAPTED TO THE TASTE AND NEED OF THE LOCAL DISTRICT, E.G. CHICKEN NUGGETS AND CHICKEN PATTIES INSTEAD OF CUT UP CHICKEN, FRESH GRAPES AND GRAPE JUICE INSTEAD OF RAISINS, ETC. LABOR HAS BEEN REDUCED IN SOME AREAS WITH THE INTRODUCTION OF MORE PREPARED FOOD. THE GOVERNMENT CAN STILL CONTROL THE COMMODITIES THAT NEED TO BE REMOVED FROM THE MARKET PLACE."

VIRGIL PUFFENBURGER, ASSISTANT SUPERINTENDENT, PENDLETON COUNTY (WV) BOARD OF EDUCATION, SERVING 1,092 A DAY, SAYS, "I FEEL THIS SYSTEM [CLOC] GIVES THE SCHOOL SYSTEMS THE FLEXIBILITY NEEDED TO SEE THAT THE STUDENTS NOT ONLY GET A NUTRITIOUS MEAL, BUT ALSO A MEAL THEY LIKE AND WILL EAT WHILE STILL RETAINING CONTROL OVER THE COMMODITY MARKET. WE HAVE BEEN ABLE TO PURCHASE MORE FOOD THE STUDENTS WILL LIKE WE HAVE BEEN ABLE TO CUT BACK ON LABOR."

INCREASES QUALITY CONTROL--BEN KERFOOT, SUPERINTENDENT OF SCHOOLS, LEONA CHURCH (ID) SCHOOLS, SERVING 687 A DAY, SAYS, "IT [CLOC] HELPS IN THAT A BETTER QUALITY MEAL IS SERVED. THE COMMODITY SYSTEM IS OUT-DATED AND A MORE ECONOMICAL SYSTEM WITH QUALITY IS NEEDED."

INCREASES PARTICIPATION--BY OFFERING FOODS THE STUDENTS LIKE. THE STUDY SITES HAVE REPORTED AN INCREASE IN PARTICIPATION AT A TIME WHEN ENROLLMENTS WERE DECREASING.

INCREASES INVENTORY CONTROL--STUDY SITES HAVE DECREASED THEIR END-OF-THE-YEAR INVENTORIES EACH YEAR. FOR EXAMPLE, FAIRFAX COUNTY (VA) PUBLIC SCHOOL DIVISION HAD \$1,446,000 IN INVENTORY AT THE END OF 1981-1982. AT THE END OF THE 1982-1983 SCHOOL YEAR, THE END-OF-YEAR INVENTORY WAS DOWN TO \$482,000, A DECREASE OF \$964,000.

INCREASES FAIRNESS TO LOCAL FARMERS, DISTRIBUTORS, AND BROKERS--OFTEN A SURPLUS COMMODITY IS GROWN LOCALLY. HOWEVER, WHEN USDA PURCHASES IT, THAT COMMODITY MAY TRAVEL ACROSS 1,000 TO 2,000 MILES. THE LOCAL PRODUCT COSTS LESS; AND WITH CLOC, THE PURCHASES CAN BE MADE LOCALLY.

DISTRIBUTORS AND BROKERS PLAN THEIR PURCHASES BASED ON QUANTITY ESTIMATES OF SCHOOL DISTRICTS. WHEN USDA SUDDENLY PURCHASES PEARS OR POTATOES, THE DISTRIBUTORS MAY NOT BE GIVEN ANY WARNING. FOR EXAMPLE, ONE OF OUR LOCAL DISTRIBUTORS, PURCHASED SEVERAL CARLOADS OF PEARS TWO YEARS AGO TO MEET THE REQUIREMENTS OF THE SCHOOL DISTRICTS BECAUSE HE HEARD THERE WAS A SHORTAGE. USDA PURCHASED PEARS. IT LEFT HIM WITH A WAREHOUSE FULL OF PEARS.

REDUCES LABOR COSTS--ROBERT OPSAHL, DIRECTOR OF ADMINISTRATIVE SERVICES, MERRILL (WI) AREA PUBLIC SCHOOLS, SERVING 1,800 PER DAY, SAYS, "WE HAVE BEEN ABLE TO REDUCE LABOR COSTS SIGNIFICANTLY. MORE LATITUDE IN MENU DESIGN HAS ATTRIBUTED TO INCREASED PARTICIPATION IN THE PROGRAM."

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JUDY RICHTER, FOOD DIRECTOR, TYLER (TX) INDEPENDENT SCHOOL DISTRICT, SAYS, "IT IS OUR BELIEF THAT THOUSANDS OF DOLLARS COULD BE SAVED BY THE SCHOOL DISTRICTS UNDER CLOC IN REDUCING FOOD WASTE, AND LABOR AND STORAGE COSTS."

REDUCES FOOD COSTS--PATRICIA HOLSTEIN, FOOD SERVICES, LEXINGTON (SC) SCHOOL DISTRICT, SERVING 1,800 A DAY, SAYS SHE WOULD LIKE CLOC TO BE ADOPTED. SHE SAYS, "WE HAVE FOUND THESE THREE YEARS WE CAN BUY FOODS AS CHEAPLY AS USDA . . . I HAVE BOUGHT FOODS IN A FORM THE CHILDREN LIKE BETTER." AND SHE ASKS, "IF WE ARE ENTRUSTED WITH USDA REIMBURSEMENT, WHY NOT THE TOTAL VALUE OF THE COMMODITIES?"

REDUCES STORAGE/DELIVERY COSTS--JEAN MCCALL, SCHOOL FOOD SUPERVISOR, LOUDON COUNTY (TN) SCHOOL DISTRICT, SERVING 3,700 A DAY, SAYS, "[CLOC] SAVES ON TRANSPORTATION AND STORAGE. THIS PROGRAM WORKS WELL IN BOTH LARGE AND SMALL SYSTEMS. WE KNOW IN ADVANCE WHAT FOODS ARE AVAILABLE. SINCE WE BUY FOODS ONLY IN ACCEPTABLE FORMS, THERE IS LESS PLATE WASTE. WE CAN OPERATE MORE EFFICIENTLY. IT ALSO GIVES US AN OPPORTUNITY TO BUY LOCALLY."

REDUCES INVENTORY--THE STUDY SHOWS AN AVERAGE REDUCTION OF 33% IN INVENTORY. PHYLLIS E. GARWOOD, FOOD SERVICE DIRECTOR, CRESTWOOD (IL) SCHOOL DISTRICT #4, SERVING 415 PER DAY, SAYS, "BY RECEIVING MONEY [CLOC] INSTEAD OF COMMODITIES, WE CAN INTRODUCE NEW FOODS TO STUDENTS." THE SCHOOL SUPERINTENDENT, VERNE BEARD, ADDS, "WHEN WE FIRST STARTED ON CLOC, I WAS VERY APPREHENSIVE. WE WERE SO USED TO HAVING OUR SHELVES FULL OF GOVERNMENT COMMODITIES. NOW OUR SHELVES ARE STILL FULL, BUT WITH PRODUCTS WE FEEL OUR STUDENTS ARE MORE EAGER TO ACCEPT. I FEEL THE LUNCH PROGRAM HAS BENEFITED GREATLY."

REDUCES HASSLE--THE ARRIVAL OF SEVERAL TRUCKLOADS OF USDA COMMODITIES AT THE SAME TIME PRESENTS PROBLEMS. NOT RECEIVING WHOLE TURKEYS UNTIL THANKSGIVING IS OVER, MEANS A LAST MINUTE PROBLEM. A RECALL OF USDA GROUND BEEF, WHEN THAT IS THE ONLY BEEF YOU HAVE, IS A HASSLE.

ELSIE FULLER, FOOD SERVICE DIRECTOR, FLOWING WELLS (AZ) SCHOOL DISTRICT, SERVING 1,508 PER DAY, SAYS WHY SHE PREFERS CLOC, "I CAN PURCHASE AS NEEDED, TAKING ADVANTAGE OF SPECIAL OFFERS. BEING ABLE TO PURCHASE FOODS IN FORMS MORE ACCEPTABLE TO STUDENTS AND IN MORE CONVENIENT FORMS, THUS SAVING LABOR. . . THERE ARE NO CONCERNS OTHER THAN HAVING TO RETURN TO THE COMMODITY PROGRAM AND THE EFFECTS IT WILL HAVE ON PARTICIPATION AND THE TRANSACTION THAT MUST TAKE PLACE AT THE STATE AND LOCAL LEVEL."

JANICE SANTARONE, DIRECTOR OF FOOD SERVICES, LAURENS COUNTY (GA) SCHOOL DISTRICT, SERVING 3,755 A DAY, SAYS, "THE EASE OF THE PROGRAM [CLOC] AND ADAPTABILITY TO OUR NEEDS WARRANTS A HEARTY STAMP OF APPROVAL. WE SURELY WISH IT COULD CONTINUE FOREVER."

REDUCES WASTE--A WAREHOUSE OF CHEESE IN A SOUTHERN STATE AND AN EASTERN STATE MOLDED, POTATOES SPROUTED IN TRANSIT, APPLES BECAME TOO RIPE, ETC. THESE SCENES ARE DUPLICATED ACROSS THE COUNTRY, ADDING UP TO A LOT OF WASTE.

REDUCES PRICES CHARGED TO STUDENTS--THIS IS NOT THE TIME, WE REALIZE, TO COME TO CONGRESS AND ASK FOR MORE; THEREFORE, WE HAVE TO FIND WAYS TO DO MORE WITH WHAT WE HAVE. WE CAN DO MORE WITH CLOC THAN WE CAN WITH COMMODITIES. I WANT TO SHARE WITH YOU EXHIBITS I AND II. PLEASE NOTE FAIRFAX COUNTY (VA) REDUCED THE PERCENT OF INCOME WE SPENT ON FOOD FROM 60 PERCENT WHEN WE RECEIVED COMMODITIES TO 50 PERCENT IN 1984-85 (INCREASE IN THE PRICES PAID FOR THE SAME FOOD WAS NOT FACTORED OUT). WE HAVE BEEN ABLE TO REDUCE LABOR

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COST: OUR DECREASES ARE NOT AS GREAT AS MANY OTHER SCHOOL DISTRICTS HAVE HAD DURING THE STUDY. WE ALREADY WERE HAVING COMMODITIES PROCESSED, WHEREAS, WE COULD REDUCE LABOR COSTS BEFORE THE STUDY BEGAN. A ONE PERCENT DECREASE IS IMPORTANT, WHEN YOUR LABOR COSTS RUN SIX TO SEVEN MILLION DOLLARS A YEAR.

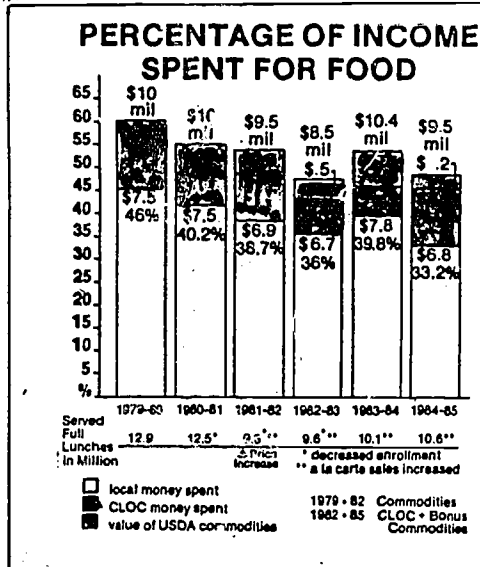


EXHIBIT I

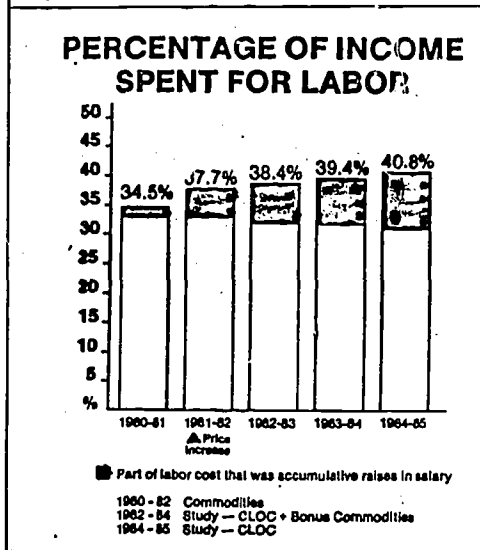


EXHIBIT II

CONCERNS

THE SKEPTICS HAVE SOME CONCERNS ABOUT AN ALTERNATIVE TO THE COMMODITY PROGRAM, WHICH I WOULD LIKE TO ADDRESS:

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CONCERN: USDA, UNDER THE COMMODITY PROGRAM, CAN REMOVE SURPLUS FOODS QUICKER AND PROVIDE PRICE SUPPORT BETTER THAN THE LOCAL SCHOOL DISTRICT RECEIVING CLOC.

REASONING: THE STUDY SHOWS SPECIFIC FOODS CAN BE REMOVED AS WELL WITH CLOC. A CLOC FOR SALMON REMOVES AS MUCH SALMON AS DID USDA PURCHASING THE COMMODITY. WE HAD SALMON PURCHASED AND DELIVERED BEFORE SOME OF THE SURROUNDING SCHOOL DISTRICTS KNEW THEY WERE GETTING SALMON. WE HAD NEVER PURCHASED SALMON BEFORE, THEREFORE, WE DID PLACE A DEMAND ON THE MARKET.

CLOC PARTICIPANTS:--SUPERVISOR OF FOOD SERVICES, KNOX COUNTY (TN) BOARD OF EDUCATION, SERVING 15,646 PER DAY, SAYS, "CLOC ENABLES US TO CONTROL THE PURCHASES GOING INTO THE SCHOOLS AND ELIMINATES LARGE INVENTORY COSTS. OUR FIRST CLOCs ARRIVED BEFORE OTHER COUNTIES RECEIVED ANY COMMODITIES. CLOC HAS GIVEN US SECURITY FOR PLANNING THAT WE DID NOT HAVE WITH COMMODITIES."

JUNE H. MATHEWS, DIRECTOR OF SCHOOL FOOD SERVICES, HERNANDO COUNTY (FL) SCHOOL DISTRICT, SERVING 6,000 SAYS, "IT (CLOC) MEETS THE NEEDS OF THE FARMERS IN THAT IT MOVES PRODUCTS WHEN NEEDED. PLANNING IS MUCH EASIER AND PRODUCTS CAN BE UTILIZED BETTER. WE ARE PURCHASING MORE FRESH DAIRY PRODUCTS, SUCH AS COTTAGE CHEESE, ICE CREAM, AND SOUR CREAM, AND WE ARE USING MORE FORMS OF OTHER ITEMS, SUCH AS FRESH FRUIT AND VEGETABLES, CHICKEN CHARMS, AND CHAR-BROILED BEEF PATTIES."

CONCERN: USDA PROVIDES A BETTER QUALITY PRODUCT; USDA HAS BETTER SPECS AND GETS A BETTER PRICE THAN THE AVERAGE SCHOOL DISTRICT WOULD.

REASONING: QUALITY IS IN THE EYE OF THE BEHOLDER; WHAT IS A QUALITY PRODUCT FOR YOU MAY NOT BE WHAT OUR STUDENTS CONSIDER QUALITY. BY THE TIME ALL COSTS OF TRANSPORTING AND STORAGE ARE CONSIDERED, COMMODITIES COST MORE TO THE SCHOOL FOOD AUTHORITY THAN PURCHASING THE PRODUCT (IF DOLLARS PAID FOR OBTAINING COMMODITIES ARE CONSIDERED).

CLOC PARTICIPANTS:--RALPH G. HEGNER, II, DIRECTOR OF FOOD SERVICES, INDIANA AREA (PA) SCHOOL DISTRICT, SERVING 1,874 A DAY, SAYS "I LOVE IT!! WE, AS FOOD SERVICE DIRECTORS, COULD BE CONCERNED WITH THE NUTRITION OF OUR CHILDREN AND OUR PROGRAMS FIRST. . ." HE RESPONDS TO WHY DO YOU LIKE OR DISLIKE CLOC, "I LIKE CLOC BECAUSE EVERYONE COULD GET WHAT THEY WANTED; IN THE SIZE AND SHAPE THEY WANTED; QUANTITY AND QUALITY COULD BE SPECIFIED AND RECEIVED. SOME CHANGES ARE REDUCED LABOR, REDUCED INVENTORY, AND SHUT DOWN WALK-IN FREEZERS."

CONNIE HEVLY, FOOD SERVICE SUPERVISOR, SHORELINE SCHOOL (WA) PUBLIC SCHOOLS, SERVING 3,200 A DAY, SAYS, "[CLOC] NOT ONLY SAVES IN THE AREAS OF FOOD COSTS, TRANSPORTATION, AND STORAGE AND LABOR COSTS, BUT WILL ALSO SUPPORT THE FARM PRICES. . . IT ENABLES US TO BUY FOOD IN THE FORM KIDS LIKE; WE ARE PAYING LESS THAN USDA IN MANY CASES; IT CUTS DOWN ON WASTE; WE CAN BUY ITEMS EARLIER THAN THEY WOULD BE RECEIVED VIA THE PRESENT SYSTEM." SHORELINE SCHOOLS SERVED FRESH SALMON WHEN SALMON WAS A CLOC.

CONCERN: CLOC MAY BE FINE FOR LARGE SCHOOL DISTRICTS, BUT THE LITTLE SCHOOL DISTRICTS WILL BE THE LOSER.

REASONING: STORAGE SPACE AND TRANSPORTATION ARE OFTEN A BIGGER PROBLEM FOR THE SMALL SCHOOL DISTRICTS THAN FOR THE LARGE ONE. THE COMMENTS RECEIVED FROM THOSE ON THE STUDY ARE PROOF THEY DID NOT CONSIDER IT A PROBLEM TO USE CLOC VERSUS RECEIVING COMMODITIES.

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CLOC PARTICIPANT:--HOLLY SMOTHERS, HEAD COOK, WASHOKIE COMMUNITY SCHOOL DISTRICT #2, TEN SLEEP (WY), SERVING 130-150 A DAY, SAYS "I CAN USE THE CLOC MONIES AVAILABLE TO HOT LUNCHES IN A MORE PERSONAL AND SPECIALIZED WAY TO SUIT MY CUSTOMERS' NEEDS AND DESIRES. WE USE MORE FRESH FOODS; WE CAN BUY OUR FOOD FROM LOCAL MERCHANTS TO HELP OUR LOCAL ECONOMY."

SUE H. MONTAGUE, R.D., CAFETERIA MANAGER, LYNDON TOWN (VT) SCHOOLS, SERVING 250 PER DAY, SAYS, "I APPRECIATE THE FLEXIBILITY IT HAS GIVEN US. IT HAS ALLOWED US TO PURCHASE THE COMMODITY IN THE FORM AND SIZE PACKAGE MOST APPROPRIATE TO OUR OPERATION AND HAVE IT DELIVERED AT OUR CONVENIENCE. WE HAVE REDUCED STAFF. WE HAVE PURCHASED ITEMS LIKE CHICKEN NUGGETS WE NEVER USED BEFORE (AND) ACCOMMODATED OUR MENUS TO THE CHILDRENS' TASTES. . . IT WAS ALWAYS SO TROUBLESOME FOR US [TO USE COMMODITIES]. FOR OUR OPERATION, THE CLOC SYSTEM HAS BEEN A VERY WORKABLE ALTERNATIVE. WE WILL HATE GOING BACK."

HOW CLOC WORKS

THE ADMINISTRATION OF CLOC, PAPERWORK, ETC., TAKES FAR LESS THAN RECEIVING, STORING, AND USING COMMODITIES (SEE EXHIBIT III). IT WOULD SEEM LOGICAL FOR THE CLOC OPTION TO BE HANDLED BY THE STATE COMMODITIES DISTRIBUTION AGENT (SEE EXHIBIT IV). HOWEVER, IF THEY DID NOT WANT TO TAKE IT ON, IT CAN EASILY BE CONTRACTED OUT. WE PRESENTLY HAVE IN PLACE AN EXCELLENT, EFFICIENT ADMINISTRATION OF THE PROGRAM WITH THE USE OF COMPUTERS THROUGH A LOCAL STATE UNIVERSITY, VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY.

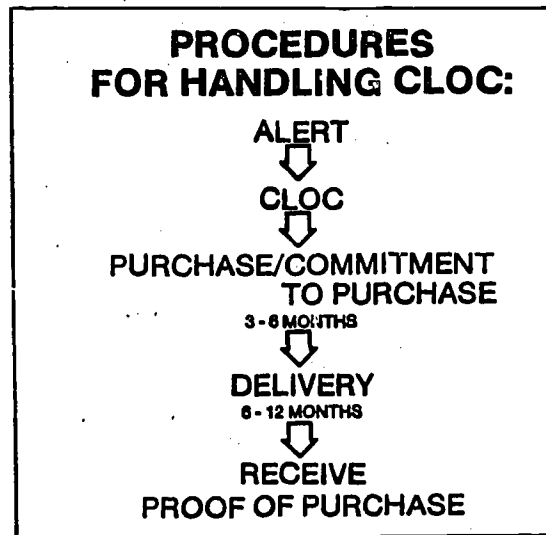
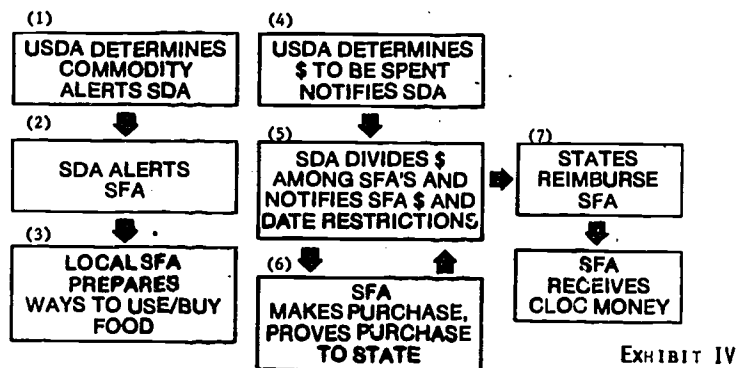


EXHIBIT III

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NATIONWIDE CLOC SYSTEM



SUGGESTED NATIONWIDE SYSTEM

1. USDA DETERMINES COMMODITY (GENERIC, E.G., BEEF) TO BE PURCHASED AND ALERTS STATE DISTRIBUTION AGENT (SDA) THROUGH A COMPUTER NETWORK.
2. SDA WOULD REPRODUCE THE ALERT AND DISTRIBUTE TO SCHOOL FOOD AUTHORITY (SFA), SAE MONEY COULD BE USED TO PROVIDE A COMPUTER TERMINAL TO EACH SCHOOL DISTRICT SO ALERTS WOULD BE TRANSMITTED TO SFA FROM SDA OR USDA OFFICES.
3. LOCAL SFA RECEIVES ALERTS, WHICH PROVIDES LOCAL SCHOOL DISTRICT AS MUCH TIME AS POSSIBLE TO PUT FOOD ON THE MENU, TO PUT FOOD OUT TO BID IF NEEDED, OR TO MAKE OTHER ARRANGEMENTS FOR PURCHASING AND PLANNING.
4. USDA NOTIFIES SDA OF THEIR SHARE IN DOLLARS FOR THE SPECIFIC GENERIC FOOD. EXAMPLE: \$900,000, BEEF.
5. THE STATE, USING A FORMULA, GIVES THE LOCAL SCHOOL FOOD AUTHORITY THEIR FAIR SHARE, DIVIDING DOLLARS AMONG THE SCHOOL DISTRICTS. THEN THE SDA WOULD NOTIFY EACH SFA OF DOLLARS THAT ARE THEIRS TO SPEND FOR GENERIC FOODS, AND SUGGESTS WAYS IT COULD BE USED. THE DATE TO BE PURCHASED AND THE DATE IT MUST BE DELIVERED WOULD BE PROVIDED.
6. LOCAL SFA DECIDES EXACTLY HOW IT WILL USE THE CLOC, COMMITS TO PURCHASE, AND REPORTS ON MONTHLY BASIS WHAT HAS BEEN COMMITTED AND WHAT HAS BEEN SPENT/RECEIVED.
7. MONEY IS SENT TO SCHOOL DISTRICT AT THE TIME CLOC IS ISSUED AND PLACED IN THE OPERATING BUDGET.
8. SDA'S COULD FUNCTION AS A CHAMBER OF COMMERCE OR MARKETING AGENT FOR THEIR STATE'S AGRICULTURE AND PROVIDE ASSISTANCE TO THE LOCAL SCHOOL FOOD AUTHORITY AND DETERMINE IF THE COMMODITY MONEY IS BEING USED PROPERLY. THEY WOULD BE RESPONSIBLE FOR:
 - A. DIVIDING COMMODITY DOLLARS EQUALLY.
 - B. AUDIT USE/HANDLING OF FUNDS AS A PART OF THE STATES AIMS AUDIT/SUB-AUDIT.
 - C. PROMOTING COMMODITIES PRODUCED AND/OR PROCESSED WITHIN THE STATE, E.G., APPLES FROM VIRGINIA.

SCHOOLS FOR AN
 ALTERNATIVE TO COMMODITIES
 D. VANEGMOND-PANNELL
 MAY 15, 1986
 PAGE 10

ENCOURAGE DOMESTICALLY GROWN FOOD

NOT ONLY DO WE NEED TO ENCOURAGE PEOPLE TO DRIVE CARS MADE IN THE UNITED STATES, WE NEED TO ENCOURAGE THEM TO EAT FOOD GROWN AND PROCESSED IN THE UNITED STATES. TODAY, OUR MARKETS ARE FLOODED WITH IMPORTED FOODS.

UNDER THE CLOC PROGRAM, WE HAD TO USE THE MONEY TO PURCHASE FOODS GROWN DOMESTICALLY.

A SIDE BENEFIT OF REQUIRING US TO SPECIFY AND PURCHASE DOMESTIC FOODS HAS BEEN THAT WE NOT ONLY BUY DOMESTIC WITH CLOC, BUT WE BUY MANY OTHER DOMESTIC FOODS. TODAY, YOU HAVE TO SPECIFY DOMESTIC OR YOUR FRUIT WILL COME FROM SPAIN OR AFRICA. OUR DISTRIBUTORS ARE BUYING MANY PRODUCTS ABROAD. FOR EXAMPLE, IT WAS NOT EASY TO FIND TUNA PACKED DOMESTICALLY.

THE VALUE OF A CLOC PROGRAM FOR THE AMERICAN FARMER CAN BE GREATER THAN ANY COMMODITY PROGRAM WHERE USDA PURCHASES THE FOOD FROM THE MANUFACTURER. A DISTRIBUTOR WHO BUYS DOMESTICALLY PACKED FRUITS, TOMATO PRODUCTS, TUNA, ETC. FOR A SCHOOL DISTRICT, IS PROBABLY GOING TO USE THE SAME PRODUCTS FOR THE OTHER CUSTOMERS - GOOD INVENTORY PRACTICE.

RALPH W. RANDEL, SUPERVISOR OF FOOD SERVICES, WELD COUNTY (CO) SCHOOL DISTRICT, SERVING 6,500 PER DAY, SAYS, "IT HAS BEEN MY OPINION THAT THE COMMODITY PROGRAM WAS AN EXCELLENT PROGRAM WHICH OUTLIVED ITS INTENDED USEFULNESS. TIME, COMMUNICATION, AND COMPUTERS HAVE PASSED THE OLD SYSTEM BY AND A NEW IDEA IS NEEDED. WE WILL HAVE TO RAISE PRICES TO PAYING CHILDREN FIVE (5) CENTS WHEN WE RETURN TO THE COMMODITY PROGRAM JUST TO COVER THE EXPENSES OF FREIGHT AND HANDLING CHARGES."

I PROJECT THAT FAIRFAX COUNTY (VA) WOULD HAVE TO RAISE PRICES TEN (10) CENTS IF WE HAVE TO RETURN TO THE COMMODITY PROGRAM. THAT WOULD BE IN ADDITION TO A TEN (10) CENT INCREASE REQUIRED TO COVER LABOR COST INCREASES.

JOHN KULLANDER, DISTRICT MANAGER, RIVER FALLS (WI) SCHOOL DISTRICT, SERVING 1,250 A DAY, SAYS, "CLOC GIVES MUCH MORE EFFICIENT USE OF COMMODITIES, REDUCES LABOR AND STORAGE COSTS. THE COMMODITY PROGRAM HAS NEEDED IMPROVEMENT FOR A LONG TIME. CLOC LOOKS LIKE A VAST IMPROVEMENT."

OUR CONCERNS, YOURS AND MINE, HAVE GOT TO BE FOR THE GOOD OF THE PROGRAM. THE STUDY HAS PROVEN, WITHOUT A DOUBT, THAT THE PRESENT COMMODITY SYSTEM IS NOT THE ONLY ALTERNATIVE, REGARDLESS OF THE SIZE OPERATION AND WHERE IT IS LOCATED. WE ASK YOU TO PLEASE ALLOW US THE OPTION OF CLOC AND EXTEND THAT OPTION NATIONWIDE.

Enclosed is a copy of the study report on the CLOC program.

Chairman HAWKINS. The next witness is Mr. William Verrill, director of food service, Portland Public Schools.

STATEMENT OF WILLIAM VERRILL, DIRECTOR OF FOOD SERVICES, PORTLAND PUBLIC SCHOOLS, ME

Mr. VERRILL. Thank you, and good morning.

Mr. Chairman, members of the subcommittee, I am William Verrill, director of food services, for the Portland Public Schools of Portland, ME.

I am here today on behalf of the alternatives for the commodity donation in the National School Lunch Program. We were one of the first school districts in the Nation requesting participation in this study. I attended the first meeting on October 7, 1981, in St. Louis, together with 11 other school districts around the Nation. We reviewed and made recommendations for policies that would be used in this program.

Now, after participating in the pilot program for the last 4 years, I would like to give some facts and figures illustrating the positive effect this program has had on my school district.

First of all, on the labor, I have seen slow decreases in both total number of employees and total hours work during our participation in the pilot program, slow decreases because the future of the program has been uncertain. In school budgets it is easy to cut, but very hard to get back something you once had.

I have been concerned that if I do make changes with no guarantee that the program will continue, I will be faced with major problems on trying to get employees back into a budget that is usually defined long before a fiscal year begins. Although I have optimistically made some cuts in my staff, if I were certain the program would continue, I could cut three additional positions. However, I don't feel I can do this, until this program has been passed into law.

We have gone from 78 employees, in 1981 to 71 employees in 1986, for a savings of 6,125 hours annually. In addition, we have decreased hours worked by 3,150 per year over the same period. Using my average hourly pay of \$5.75, this amounts to a savings this year alone of \$53,332.

We haven't reflected a savings in the area of storage, because we have a large school-owned warehouse, with ample dry, refrigerator and frozen space. However, this program has allowed us to release space formerly used for the commodity foods that we had to store. With this additional space, I have been able to purchase a year's supply of paper trays and plastic dinnerware, thereby realizing an approximate savings per year of \$2,000.

Under transportation, Maine is a comparatively large State with a small population. As a result, local transportation is more costly than in many other States, due to the great distance between delivery sites. The only USDA foods that we have been receiving during this study are the bonus items. Our truck picks up these bonus items at local terminals, saving us additional fees.

However, our average cost has been \$1.28 per case. This multiplied by the thousands of cases that we used to receive would give me an annual savings of approximately \$4,000 per year.

Under plate waste, although I have not done any study of plate waste, I do know there has been less waste during this period of the study. I have talked with students, food service workers, principals, teachers, parents and they all agree that there have been positive changes.

I would like to cite an unfortunate incident that happened in my school system this past May 1, that brought back memories. My menu that day read "beef and gravy, mashed potatoes, sliced carrots, biscuit with butter, peanut butter cake and low-fat milk".

Earlier this year we received a bonus item of canned beef. In order to prepare this meal we used 292 cans of beef. The cans had to be opened, the beef inspected, and fat and large pieces of skin removed. This required several hours of labor for my staff to do.

A thick gravy was made and added to the beef, carefully, in order not to breakdown the beef. Although the flavor was excellent, the appearance left something to be desired. Apparently some of our students recognized beef and gravy from the good old days. Our lunch count that day dropped by 400. In addition, even though our staff had tried to remove all pieces of skin, several escaped notice and we received complaints from more than one school.

Had I been purchasing beef, I would have used raw stew beef, less labor would have been involved and a superior product would have resulted.

Under the commodity letter of credit, or CLOC, this system has worked very well in Portland. Initially, I wanted to try the CLOC system, instead of cash because I felt it was the only system that would be approved in the end.

When the National School Lunch Program was initiated provisions were made for the lunch program to use domestic agricultural commodities. These items were used to purchase at a time that would aid the farmer in removing a crop at a fair price, and allowing the market to have a definitive supply and demand for products. CLOC sites received notice of the types of product they could purchase, and are given a specific amount to spend on that product.

The CLOC systems do require additional paperwork. We expended approximately 32 hours per year doing necessary paperwork for this program; a small price for such a positive program.

Under this study we have had two problems, the first one was during the 1982-83 school year. Instead of receiving CLOC's for bonus items, we received a USDA bonus item at the middle of the year. This resulted in the loss of \$32,000 to the Portland school department in bonus products that we should have received, because the State of Maine had already allotted all of the bonus items to the schools. We were not able to receive any until the middle of March, which meant that we went almost a whole quarter with no bonus items, and then very few to finish out the year.

When we entered into a contract with the USDA for the pilot program, we were assured that we would receive no less than any other school district, or less than we had received in the past. I petitioned the USDA office in Burlington, MA for a refund. The request was denied.

At this time I would like to thank Members of Congress for recognizing this problem, and including in H.R. 7 a section to help schools recoup their losses from this pilot program.

Our second problem involved the final two quarters of this year, because of a delay in approving the extension of this year's program, we didn't receive our third quarter CLOC and money, until March 24. Normally, they would have arrived January 1. Our fourth quarter check arrived April 19, it should have arrived at the beginning of April.

As a result, we went an entire quarter with no allotment, and we are 1 month late in the last quarter. Although I tried to estimate our CLOC values, I exceeded some, and was unable to utilize the full content of others. The latter will have to be stored during the summer months.

I feel that when Congress renewed this project, it should have continued without delay. It appears it was a very low-priority item with USDA officials.

Concerns of domestic origin, this was probably the hardest part of the project for Portland. Being a border State to Canada, we find many imported products not clearly marked as to origin. Quite often the vendors either do not know, or do not want us to know point of origin. Although we specify in our bids, purchase orders and verbal orders that the products must be domestic, we have refused several items each year because of this.

And we, like Fairfax County, feel that domestic comes first and that we should be spending our money both locally, and here in the country. And strive to do this, and find it very difficult at times to know that we are purchasing domestically.

Under local purchasing, personally, I like the idea of spending our money locally, within our State. For the past 4 years of this study, I have spent \$331,838 in Maine. I know this has helped my community buying power and has saved us money.

Finally, our State director of Child Nutrition Programs had said to me that this program might work well for Portland, being the largest city in the State, but Maine being a rural State, that the smaller communities further out would have difficulty in purchasing and in receiving the value for the dollar that they should receive.

I feel that this study has proven this invalid. It has been proven that as you increase your volume, you lower your costs. Although a higher price may be paid for some items, the savings realized on volume food purchases should reduce your overall costs.

Nutritional concerns, in the late 1970's, the Portland school department formed a nutrition committee to review nutritional background for our School Lunch Program. During this period we made adjustments to our menus, types of food served, and methods for cutting back on sugar, salt, and fats. We have worked hard to achieve this, and we have worked hard to maintain this. And throughout this study I was always watching to make sure that what we purchased was nutritionally sound for our children.

I would like to make some comments at this time on the executive summary on this program. On page 3 of that executive summary, it noted effects on food acquisitions. The last sentence of this page stated that the value of the subsidy, under the Commodity

Program, is not what it costs the Department of Agriculture to buy and ship the food, but what it would cost the school districts to replace the food with similar products purchased locally.

I assumed one of the goals of this study was to see if the pilot schools could purchase as good, better, or worse than the USDA. There is no way to determine this if, instead of using USDA's actual cost for purchasing, handling and shipping, they use a figure that has no bearing on the cost at all.

As an example, during the past year all schools received a great deal of ground beef. The commodity schools, because they received so much more beef, purchased less. When they purchased less of an item, the price, and in this case the fair market price, went up. This, in turn, inflated the value of the USDA donated foods, causing these schools to have a so-called 3-cents-per-meal higher value than did the schools in the subsidy.

I feel this is wrong, and serves no value, except to cloud the issue.

On page 6 of this study, it states "Do the cash and letter of credit alternatives provide a more equitable distribution of commodity subsidies?"

This section talks about most schools receiving 13-cents-per-lunch entitlement. However, some went as high as 17 cents, and some as low as 9 cents. It further states that with a 3-cents-fair-market-price loss, this would cause larger losses for some schools.

Again, I say there was no 3-cent loss to the schools in this program, only that the study inflated the value of the commodity schools.

As for some schools doing better on their purchases than others, this has always been so and always will be. Some schools use very few bonus items, while others use as much or more than their entitlements. The same thing applies to entitlements, for example, some schools now receive raw, frozen chicken pieces which they have prepared and served without any further costs. However, other schools send these products out and have them turned into fried, breaded products, nuggets, et cetera, and in doing so, they are spending more money than the schools that received and prepared them themselves.

I am sure any of the schools that had a 17-cent-per-lunch entitlement in this study did not buy processed foods, whereas those that purchased processed foods, fell below the 13-cent figure.

On page 10, nutritional implications, this particular small section really disturbs me. The study states the only difference would be an increase in sodium, due to an increase in processed foods. It also stated that there may have been less iron served to the children in the pilot schools, than in the regular schools.

I went through my CLOC's that I received, I refused prunes twice. As near as I can figure out, those would be the only items that contained iron I did not serve to my children. And for this they say we may have served less iron to our children, than did the other schools. I would say the other school's garbage cans probably had more iron than our garbage cans did.

As for the sodium, I checked all my items, there was no study done on salt purchased, salt used, or salt in the foods. With the exception of maybe some of the breaded chicken products I pur-

chased, I know what my food was, and I know that it did not contain sodium.

I also would question it says that we were probably equal on all other items. I purchased more fresh fruits, more fresh vegetables, more frozen vegetables, no canned vegetables and less canned fruits. If anything, I say I increased my minerals, vitamins, roughage for my children while decreasing sugars and fats.

I, personally, feel this particular part of the study should be scratched, as I feel they do not know what they were talking about when they put this in. I think, personally, someone sat in the back room and said, "Aha, we purchased more processed foods, 'processed foods are bad', they are higher in salt."

I cannot find anywhere that there is any data to back them up on this.

My last part on the study would be to the effect that the cash and letter of credit system had on student participation. The last sentence of this section states that overall that the cash and letter of credit system had no input on total student level participation in the National School Lunch Program.

Again, I do not know how this study came to this conclusion. My figures indicate that I did see participation increase, or remain the same, when I had decreased enrollments and price increases. I feel the changes that have been made in food did increase student participation.

In conclusion, I would like to say that in my 15 years in the School Lunch Program, I have never seen anything that has improved our program as much as this study has. I would also like to thank the people at Virginia Poly Tech for the excellent job they have done in administering the program, they have always gone the extra mile to help us in time of need.

I would like to respectfully request that this committee support this project, and recommend it as a permanent part of the National School Lunch Program.

Thank you.

[Prepared statement of William R. Verrill follows.]

PREPARED STATEMENT OF WILLIAM VERRILL, DIRECTOR, OF FOOD SERVICES, PORTLAND PUBLIC SCHOOLS, MAINE

Mr. Chairman, Members of the Sub-Committee, I am William Verrill, Director of Food Services for the Portland Public Schools of Portland, Maine. I'm here today on behalf of the program: "Alternatives to Commodity Donations in the National School Lunch Program".

We were one of the first school districts in the Nation requesting participation in this study. I attended the first meeting on October 7, 1981 in St. Louis, together with eleven other school systems from around the Nation. We reviewed and made recommendations for the policies that would be used in the program.

Now, after participating in the pilot program for the last four years, I would like to give you some facts and figures illustrating the positive effect this program has had on my school district.

I. Labor

I have seen slow decreases in both total number of employees and total hours worked during our participation in the Pilot Program. Slow decreases because the future of the program has been uncertain. In school budgets it's easy to cut, but very hard to get back, something you once had. I have been concerned that if I do make changes, with no guarantee that the program will continue, I will be faced with the major problem of trying to get employees back into a budget which is usually defined long before a fiscal year begins.

Although I have optimistically made some cuts in my staff, if I were certain this program would continue, I could cut three additional positions. However, I don't feel I can take this step until the Program is put into law.

We have gone from 78 employees in 1981 to 71 employees in 1986 for a saving of 6,125 hours, annually. In addition, we have decreased hours worked by 3,150 per year over this same period. Using an average hourly rate of \$5.75, this amounts to a saving of \$53,332.00 for this year alone.

II: Enrollments and Participation

Taking into consideration the decrease in enrollments and the three price increases we have had over the past six years, I feel we have held our own and advanced in some years (see Chart A).

It has been proven, both locally and nationwide, that everytime you increase your lunch price you lose an equal percentage of participation. This was true for the 1981-82 school year. However, during the 1982-83 school year we had a 10c increase but only a 2% loss in participation. The 1983-84 and 1984-85 years showed strong growth, despite enrollment decreases. We had a 5c price increase at the start of this current year and we are still showing a growth instead of a loss. Personally, I contribute this to improved food quality and giving the students what they want without sacrificing good nutrition.

Testimony by William R. Verrill (continued)

III. Storage

We didn't reflect a savings in this area because we have a large school-owned warehouse with ample dry, refrigerator and freezer space. We haven't leased space for over eight years. However, this program has allowed us to release space formerly reserved for government foods.

With this additional space I have been able to purchase a year's supply of paper trays and plastic dinnerware, thereby realizing a savings of approximately \$2,000. per year.

IV. Transportation

Maine is a comparatively large state with a small population. As a result, local transportation is more costly than in many other states, due to the great distances between delivery sites. The only U.S.D.A. food items we have received during this study are bonus items which I have listed on Chart B (attached). Our truck picks up U.S.D.A. food at local terminals, saving us additional fees. However, our average cost has been \$1.28, per case. If you multiply this by the thousands of cases received by us in the past, it gets to be very expensive. I would estimate we have saved approximately \$4,000.00 annually while on this program.

V. Plate Waste

Although I have not done a study on plate waste, I do know that we have seen less waste during the period of this study than we had before. I have talked with students, food service workers, teachers, principals and parents and they all agree there seems to be less waste than before.

An unfortunate incident on May 1, 1986 brought back memories.....our menu for that day was:

Beef and Gravy
Mashed Potato - Sliced Carrots
Biscuit with Butter
Peanut Butter Cake
Low-fat Milk

Earlier this year we received a bonus item of Canned Beef. In order to prepare this meal we used 292 cans of beef. The cans had to be opened, the beef inspected and fat and large pieces of skin removed. This required several hours labor for my staff to do.

Testimony by William R. Verrill (continued)

A thick gravy was made and added to the beef, carefully, in order not to break down the beef. Although the flavor was excellent, the appearance left something to be desired. Apparently, some of our students recognized "Beef and Gravy" from the days when we used canned beef -- our lunch count dropped by 400 that day. In addition, even though my staff tried to remove all pieces of skin, several escaped notice and we received complaints from more than one school. Had I been purchasing beef, I would have used raw stew beef, less labor would have been necessary and a superior product would have been the result. Canned U.S.D.A. beef has an inventory value of \$1.36 per pound (plus a waste factor of approximately 15% in fat and skin). Our cost for stew beef would be approximately 35¢ more per pound, but the quality difference is so great that I will never again accept this product as either a bonus or an entitlement item.

VI. Commodity Letter of Credit

The CLOC (Commodity Letter of Credit) system has worked very well in Portland. Initially, I wanted to try the CLOC system instead of the Cash system because I felt it was the only system that would be approved.

When the National School Lunch Program was initiated, provisions were made for the lunch program to use domestic agricultural commodities. These items were to be purchased at times that would aid the farmer in removing a crop at a fair price and allowing the market to have a definitive "supply and demand" for that product(s). I feel the Cash system is too liberal because it allows schools to buy anything. CLOC sites receive notice on what type of product they can purchase and they are given a specific amount to spend on that product.

The CLOC system requires some additional paperwork. We expend approximately 32 hours a year doing the necessary paperwork for this program, a small price for such a positive program.

VII. Problems

We have had only two problems during the entire study.

First, mid-year during the 1982-83 school year the program was changed. Instead of receiving Clocs for Bonus items we were to receive U.S.D.A. Bonus items. This resulted in a loss of \$32,000. to the Portland School Department in bonus products that we should have received. Because the State of Maine had already allotted all bonus items to the schools and we were not in at the beginning of the year, we were not included in this allocation. It wasn't before the middle of March that we received any bonus items.

When we entered into a contract with the U.S.D.A. for the Pilot Program, we were assured that we would not receive any less than any other school district or less than what we had received in the past.

I petitioned the U.S.D.A. office in Burlington, Massachusetts for a refund. The request was denied. At this time, I would like to thank the members of Congress for recognizing this problem and including in H.R. 7 a section to help Portland and other schools recoup their losses.

Testimony by William R. Verrill (continued)

Our second problem involved the final two quarters of this school year. Because of the delay in approving the extension of this year's Program, we didn't receive our third quarter Cloc's and money until March 24, 1986. Normally, they would have arrived the first of January. Our fourth quarter check arrived April 29, 1986. It should have arrived the beginning of April. As a result, we went an entire quarter with no allotment and were one month late into the last quarter. Although I tried to estimate our Cloc values, I exceeded some while being unable to utilize the full content of others, the latter will have to be stored during the summer months. I feel that when Congress renewed this project it should have continued without delay. It appears it was a very low priority item with U.S.D.A. officials.

VIII. Concerns of Domestic Origin

This was probably the hardest part of the project. Being a border state to Canada we find many imported products not clearly marked as to origin. Quite often the vendors either don't know or don't want us to know point of origin, although we specify in our bids, purchase orders and verbal orders that the product must be domestic. We have refused items several times each year because of this.

IX. Local Purchases

Personally, I like the idea of spending our money locally, within our State. For the four years of the study I have spent \$331,838. in the State of Maine. I know this has helped my overall buying power and saved us money.

Initially, our State Director of Child Nutrition Programs thought this project might work well for Maine's largest city but would hurt many of the smaller rural towns because they don't have the same buying power. She felt their Federal dollars wouldn't buy the same value as that received in donated commodities. I think this program has proven that theory invalid. All school lunch programs must expend money to buy food. The U.S.D.A. foods make up approximately one fifth of our total purchases. It has been proven that when you increase your volume, you lower your costs. Although a higher price may be paid for some items, the savings realized on volume food purchases should reduce overall costs, making your choices competitive with U.S.D.A. products while giving you more selections.

X. Nutritional Concerns

In the late 1970's, the Portland School Department formed a Nutrition Committee which was very active for several years. During this period menus, type of foods served and methods of cutting back on sugar, salt and fats were reviewed and changes made. We worked very hard to achieve and maintain these goals. During this current pilot program, while I purchased more processed foods than in the past, I made sure we didn't sacrifice nutrition.

Testimony by William R. Verrill (continued)

XI. Comments on Executive Study

I would like to offer the following comments on this study.

1. On Page 2, "Research Approach", it should state in second paragraph that during the 1982-83 school year, money for bonus foods stopped at the end of the second quarter.

2. On Page 3, "Effects on Food Acquisition", the last sentence on this page states that "the value of the subsidy under the commodity system is not what it cost the Department of Agriculture to buy and ship the food, but what it would cost the school districts to replace the food with similar products purchased locally".

I assumed one of the goals of this study was to see if the pilot schools could purchase as good, better, or worse than the U.S.D.A. There is no way to determine this, if, instead of using the U.S.D.A.'s actual cost for purchasing, handling and shipping, they use a figure that has no bearing on the cost at all. As an example, during the past year all schools received a great deal of ground beef. The commodity schools, because they received so much more beef, purchased less. When they purchased less of an item the price (or in this case a fair market price) went up. This in turn inflated the value of the U.S.D.A. donated foods, causing these schools to have a so-called 3c per meal higher value than did the schools in the study. I feel this is wrong and serves no value, except to cloud the issue.

3. Page 6. "Do the Cash and Letter of Credit Alternatives provide a more equitable distribution of Commodity Subsidies?" This section talks about most schools receiving 13c per lunch entitlement; however, some went as high as 17c and some as low as 9c. It further states that with a 3c fair market price loss this would cause larger losses for some schools. I say there was no 3c loss to the schools in this program; only that the study inflated the value of the commodity schools.

As for some schools doing better than others on their purchases, this has always been so and always will be. Some schools use very few bonus items while others use as much, or more, than their entitlement. The same thing applies to entitlements. For example, some schools now receive raw frozen chicken pieces, which they prepare and serve without any further cost. However, other schools send these products out and have them turned into fried breaded products, nuggets, loaves, etc. In so doing, they are spending more money than the schools that received and prepared it themselves. I am sure any of the schools that had 17c per lunch entitlement in this study didn't buy processed foods whereas schools that purchased processed foods probably fell below the 13c figure.

Testimony by William R. Verrill (continued)

4. Page 10. Nutritional implications. The study states the only difference would be an increase in sodium due to an increase in processed foods. I would agree with this on the processed chicken products I have purchased. However, that's as far as I would go. I watched everything that was purchased and made sure we weren't buying foods that could cause health problems. Furthermore, we purchased more fresh fruits and vegetables, no canned vegetables and fewer canned fruits. I feel that not only have we increased our vitamin, mineral and roughage intakes we have decreased sugars and fats.

5. Effect Cash and Letter of Credit systems had on student participation.

The last sentence of this section states that "overall, the Cash and Letter of Credit systems had no impact on total student-level participation in the National School Lunch Program".

I do not know how the study came to this conclusion but as my figures indicate I did see my participation increase, or remained the same when I had decreased enrollment and price increases. I feel the changes we made in our food did increase participation.

In conclusion, I would like to say that in my fifteen years with the School Lunch Program, I have never seen anything that has improved our program as much as this study. I would also like to thank the people at Virginia Polytechnic Institute for their excellent job in administering the program. They have always gone the "extra mile" to help us in time of need.

I would like to respectfully request that the Committee support this project and recommend it as a permanent part of school lunches.

Testimony by William R. Verrill (continued)

Chart A

ENROLLMENTS AND PARTICIPATION

	<u>Enrollment *</u>	<u>Meals Served **</u>	<u>Less:</u> <u>Enrollment Decrease</u>
1980-81	8,318	3,724	
1981-82	8,029 (-4%)	3,121	-19% (15) 15c Price Increase
1982-83	7,717 (-5%)	2,924	- 7% (2) 10c Price Increase
1983-84	7,450 (-4%)	3,033	+ 4% (8+)
1984-85	7,288 (-3%)	3,066	+ 1% (4+)
1985-86	7,209 (-2%)	3,047	- 1% (1+) 5c Price Increase

* Enrollment figures exclude kindergarten (dismissed before lunch is served)

** High Schools have very low participation due to large, popular a la carte system.

Testimony by William R. Verrill (continued)

Chart B

FREIGHT COSTS - U.S.D.A. FOODS

<u>U.S.D.A. Food</u>	<u>Freight per Case</u>
Ground Beef	\$ 1.44
Beef, Roast	1.44
Butter	1.51
Cheddar Cheese	1.40
Processed Cheese	1.51
Mozzarella Cheese	1.28
Dried Milk	1.28
Canned Beef	1.28
Egg Mix	.93
Grape Juice	1.20
Corn Meal	.93

Chairman HAWKINS. Thank you, Mr. Verrill.
 The next and last witness on the panel is Mr. Gene Miller, school food service director, School District of Lancaster, PA.
 Mr. Miller, we welcome you.

**STATEMENT OF GENE MILLER, SCHOOL FOOD SERVICE
 DIRECTOR, SCHOOL DISTRICT OF LANCASTER, PA**

Mr. MILLER. Thank you, sir. Good morning to all of you.

My name is Gene Miller, I am from Lancaster, PA

Our school system is approximately 10,000 students, we are serving 50 percent of these children. The school system, School Lunch Program is unique in that we are a preplate system, that, as I know the Donated Commodity Program, in my 12 years of tenure there, that the commodities that we have received in the past have not been acceptable in that they are not in a usable form for the preplate system.

And my point here is each school district throughout the Nation has different needs, but the commodities seems to be purchased not for these needs. The utilization for these commodities, therefore, is very hard to accomplish.

As my peers have stated, the commodities that I know in the past have come at times that they are very hard to utilize. We will get, as Dot said, turkeys after Thanksgiving. But along with the turkeys, in a preplate system, it takes approximately 3 weeks, as you are doing the regular lunch program, to work these into the menu, cooking them, freezing them, rethawing them, that the product is not the best. But yet, we use them up, and I don't think that is the proper way to use the commodities.

The Commodity Program, as I know it in the past, had problems in storage. Many districts do not have dry storage, refrigerated, frozen that is adequate for what we are to receive. The School District of Lancaster, being of 10,000 students, and serving, as I said, 5,000 may at a given time be called upon to pick up 200 cases of frozen chicken, 75 to 150 cases of frozen turkeys, and asked to put it in a freezer somewhere, you either have it, or you go out and rent.

Now that I am on cash, I do not have that problem. To me that is about a \$25,000—minimum \$25,000 savings in a given year, just in the refrigeration and freezer rental.

The labor that is saved because of not receiving commodities that are high-labor yield is approximately 39 labor-hours a day. The first year on the program, I was able to reduce the staff, unlike Bill, I took the initiative to run it the way I felt it should be run, as if it were here to stay, and we review the program every year to see if there are needs for further reductions, or increases, due to changes in the school lunch program and the choices and needs of the students and the district.

The savings for these 39 labor-hours per day, roughed out to be approximately \$35,700 in one given year. That was the first year. Since then there have been increases in wages, which is still a savings.

Purchasing has become easier and more manageable in that we are able to use local concerns in purchasing, as we have all been

stating, apples. Apples are big ones for us, we are serving them quite often and we are buying them from the local farmers. Previous to utilizing the local concerns, we were paying \$12.50 a case; this given year we have been down as low as \$9 per case for the same size, Red Delicious.

I am presently using more fresh vegetables and fresh fruits, as my colleagues, and they are, again, local and of high quality.

A disadvantage that we had with the program as with the commodities, getting them late in the year; in 1981-82, we had a 80,000 dollars' inventory to hold over the summer months. In the years that I have been with the district, that seemed to be an ongoing figure year after year, that there was 80,000 dollars' worth of commodities in inventory during the summer, which could present problems in the loss of the product, refrigeration, theft, because there are not as many people in the buildings; you have to make controls, you have people checking the refrigeration, the freezers, and just checking to make sure things are right.

Now, I have approximately 8,500 dollars' worth of inventory left at the end of the year. We are able to utilize the moneys saved for the program. We have more flexibility in the menus, in that we can give the students what they want, when they want it and in many forms. And give them the offer-versus-served, where we give them many choices in one given day.

The students seem to support the program in offer-versus-served, in that they will take what they want and not throw the rest away which will reduce the plate waste, which also helps control the inventory, and maintains the labor.

In the past 4 years we have increased participation, not totally because of the demonstration, but it is a viable part of the increase, but we have maintained or decreased the labor, depending on the needs of the year.

In discussing the program with the other sites in Pennsylvania, none of them, to my knowledge, wish to change and go back to the program. They are very happy with either cash or the CLOC Program, because of the things I mentioned, menu flexibility, student participation, purchasing power, the ability to work with their local people, inventory control, reduction of plate waste—these are all areas that they wish that I make known to you.

The form of the product is important, but another concern we have is products that we did receive, they were not items that the students readily got at home. In Lancaster we have a growing Hispanic and black population, their likes and dislikes are much different than the items that we are receiving—prunes, the raisins, the peanut granules. They would not take them, therefore, we were refusing them.

Another area that is a concern of mine in this program is national commodity processing versus State processing. Pennsylvania is an aggressive State that has quite a bit of State processing, but it has restricted our use of the NCP. It was a struggle to be able to use the national processing agreements in Pennsylvania last year due to the strict regulations that they impose on us. I believe that was corrected, but it is something that needs looking into.

It also needs looking into by the School Districts, because not all processing agreements are of—the processing agreements need to

be evaluated by the school district, in that they are not always getting the proper product, or the quality of product at the price they want. They can sometimes go out and get it from another vendor cheaper than with the commodities in it.

It is my contention, and I believe the School District of Lancaster, from the board level down, that the alternatives that we have studied in this administration are manageable, workable and at least in our district, we would like to stay with them. And I would hope that you would continue to support what we want to be done.

Thank you.

[Prepared statement of Gene Miller follows:]

**PREPARED STATEMENT OF GENE MILLER, SCHOOL FOOD SERVICE
DIRECTOR, SCHOOL DISTRICT OF LANCASTER, PA**

Mr. Chairman and Members of the Subcommittee:

My name is Gene Miller, Food Service Director for the School District of Lancaster, Lancaster, PA.

During the past four years the School District of Lancaster has participated in the "Alternative to Commodity Donation in the National School Lunch Program" demonstration. The School District of Lancaster's enrollment is approximately 10,000 and the lunch program is unique in that it services seventeen schools from a central commissary by a preplate system.

The commodity demonstration has caused changes within the school lunch program that has benefited the School District of Lancaster in management both financially and nutritionally.

Commodities received previous to the demonstration were high labor yielding and in form not readily usable for a preplate system. Thus a reduction of 39 labor hours per day was realized in the first year of the demonstration. Since then student participation has increased without an increase of labor hours in preparation.

Purchasing of frozen, canned and fresh foods has improved. I am able to be more flexible in purchasing, taking advantage of sales, and having improved relations with local vendors. Fresh fruits and vegetables are used more frequently being purchased from Pennsylvania farmers.

Advantages to the lunch program include bringing the products in house as needed and storing for a minimum period. During the 1981-82 school year there was an approximate \$80,000. inventory of donated commodities held over during the summer months. The 1984-85 food inventory totaled \$8,500. for the same period of time.

Warehousing of foods is managed quite well as opposed to the 1981-82 year. There is no need for additional frozen, refrigerated or dry storage area. Returning to the commodity program would probably initiate a \$25,000. expenditure for just frozen rental space.

Menus can be planned with more flexibility, supporting student choice, reducing plate waste, controlling inventory, taking advantage of purchasing power, controlling labor and maintaining or increasing participation.

Discussions with colleagues support the problems that I have had previous to the demonstration. Receiving products too late in the school year caused one of two things: accepting them and having summer storage problems, or refusing all or part of the allocation. Volume of a product at a given time often is too much. Student acceptability of certain foods such as prunes, peanut granules, sweet potatoes, and raisins make the utilization of good foods unmanageable at times. Products received by school districts are not always in the form necessary for proper usage in their operation.

Another area I wish to respond to is that of National Commodity Processing. The program is vital to all schools throughout the country, especially states that do not have an aggressive state processing program. States should not be too aggressive in that it restricts or hinders companies in maintaining NCP or state agreements. Involvement of school districts is also needed in evaluating quality and price of agreement products.

In conclusion, Mr. Chairman, the School District of Lancaster strongly supports an alternative method of using surplus foods. The School District of Lancaster's experience has been with the cash method, but the CLOC system, I feel, will work as well as cash. Discussions with the other school districts within Pennsylvania that are participating in the program show that they also feel that the CLOC system is a viable alternative.

Mr. FORD. Thank you very much all of you for your preparation for today and your cooperation with the committee.

Ms. Pannell, you said or you made mention of the USDA claim that lunches served under the alternative programs were very high in sodium. I am looking at their study here, on page X, where it says,

What are the nutritional implications of the changes in food acquisitions under the cash and letter of credit system?

The clearest implication of a switch in the commodity donation program to cash or a letter of credit system is an increase in the level of sodium contained in the foods acquired for use in the National School Lunch Program. This is attributable to relatively greater acquisitions of prepared foods, that is breaded chicken and beef products, bakery items, formed potatoes by school districts under the cash and letter of credit system.

There was also a decrease in the availability of fats from the foods acquired under the cash and letter of credit system, attributable principally to decreased butter acquisitions.

I wonder if a nutritionist wrote this report that says that—characterizes these as both negatives. My own doctor has advised me to avoid butter and sodium, and they are suggesting that one might be better off if you acquired more of something that the doctors are trying to tell—even here, with all the dairy interests in the Congress, they insist that in the members' dining room they have margarine as an alternative to butter, because of the age grouping of the people here and their concern.

There wasn't much concern with children a few years ago, but people are becoming more sophisticated and discriminating in what their children are eating, despite the success of the fast food chains.

What is the basis for that kind of an assumption, just because of the particular—they didn't give any place in the report that we could find any quantitative assessment of how much more sodium there might be. And it seems almost like a speculation that one might expect that if you did the following things, you would get sodium.

Do you know whether or not they really did anything to ask your nutritionists to determine whether or not this was happening?

Ms. PANNELL. Mr. Ford, I really am puzzled at such a statement. We never presented recipes, and although raw chicken under the Government Commodity Program certainly has less sodium than does fried chicken that you are purchasing, but I am sure by the time that food was cooked and made fried chicken in the local cafeteria there was the addition of some sodium.

So, certainly, I can't argue with the fact that the beginning product that we started with, which was the already prefried chicken, had more sodium, than the raw chicken did, but the product the child ate, I would wonder, if it wasn't comparable. But no data was collected that would indicate.

We did not have to report how much salt we purchased. In fact, we decreased the amount of salt that we were purchasing by about 80 percent; our sugar by 71 percent. We were never able to report those kinds of positive things in this study. That was not questioned.

You will find in the thicker volumes of this study, that there was no nutritional data collected. There was no nutritional analysis

done. And they certainly would have to get our recipes, they would even have to get the companies' recipes, if we were having food processed.

I think to take and make an assumption, without facts, is not what you want in a study of this nature.

Mr. FORD. When we were interested in this by people from around the country, I recall somebody in here from Boise, ID, telling us that she spent a lot of time trying to find more warehouse space for rice, and that it presented a difficulty because the culture of Idaho is such that kids raised on meat and potatoes don't take kindly to a lot of rice dishes.

Denver, CO, had a warehouse full of rice, it spoiled, as I recall, or they were afraid that it was going to spoil. And they had another train load of rice waiting for them.

In parts of the country those things just don't fit the local pattern very well. We think that the Department of Agriculture has cleaned up the turkey roll mess, but we had somebody in from California who was in close proximity to the turkey farms, where the turkeys were killed and shipped to New York, turned into turkey roll and then shipped back to an area just outside of San Francisco. And as we looked at those things across the country, one of the issues that was raised was plate waste.

This committee has always responded, and I think the Agriculture Committee on the Senate side, as well, to concerns about plate waste. Indeed, we have directed the Department of Agriculture over and over again to tighten regulations to try to do something about it. Mr. Quie was on the committee when you were here last—was always particularly concerned about plate waste and wanted to give more freedom of choice to the students, as one way to avoid it. Not encourage them to take food that they were going to throw away anyhow.

How much impact could you honestly say the problem of plate waste would reflect in an area where you can make your own choice of what you are going to feature within the parameters of described dietary requirements of the lunch program?

Ms. PANNELL. I regret that this study did not do any analysis of plate waste, because I think we could have proven that we did decrease plate waste, but that was not one of the issues that was addressed directly, with facts, at any rate.

Certainly, we have experienced a lot less plate waste because our goal is to provide food that students will eat, and we are not wanting to fill a trash can. In our area we have trouble with sweet potatoes. But there are some parts of the country that would love to have the additional sweet potatoes.

With the CLOC Program, we can easily transfer that sweet potato to the person that can, without it having to physically go from one part of the country to the other. Because we can transfer a voucher approach. As a result, we were able to get more white potatoes, which go better in our area.

And this is just a small example, but you can put sweet potatoes on their plate, you have used them, but you have not done the purpose that you have in mind, or that I have in mind. We have not gotten them consumed. And this is very true. I enjoyed giving some salmon to our Washington State friend who was able to use it,

under the CLOC Program, to serve fresh salmon. We introduced salmon because we thought it was very important that we introduce our students to foods that we had not previously purchased a lot of.

So, we used part of our CLOC that way, but the flexibility of the CLOC is so good, and you can do things like that. She, in turn, had a product that she did not need as much of, so what we did was exchange CLOC's, that was done by VPI, who handled it beautifully, so that it was all above board. And no product was going across the country.

Mr. FORD. Thank you very much.

Mr. McKernan.

Mr. MCKERNAN. Thank you, Mr. Chairman.

I would like to ask Bill Verrill a question; any of the rest of you who would want to comment on it, I would be interested.

In your prepared statement you mentioned, Bill, that you thought that perhaps cash in lieu of commodities was not a good idea, and that there would not be enough control from that approach, as opposed to the letter of credit. Would you just explain why you think that is the case?

Mr. VERRILL. I hope I didn't give the impression that I felt that my colleagues that were receiving cash were doing unscrupulous things with their money. My whole intent or meaning in saying that was my own personal feeling that going hand-in-hand with the School Lunch Program is the agricultural programs, always has been and hopefully, always will be. And I just feel that the letter of credit system is the next best thing to cash, and at least gives us the leeway to tailor the foods to our own program.

With the cashsites, they received the money and were able to purchase whatever they wanted to purchase. I would assume most all food service directors being concerned with the well-being of our students and the nutritional background, purchased foods that were fine. I am not questioning that.

What I was after was the fact that if there is a particular item on the market that needs to be pulled off so to keep a fair price for the farmers, that my issuing a letter of credit to all the schools and giving us a particular period of time to purchase it in, that we can pull enough of that off the market, so to take care of this supply and demand.

Whereas the cashsites did not receive notice of what we were purchasing, and might not have known that they should have been buying beef in that time, or should have been buying green beans at that time, or whatever, to help out with that area.

I guess that is where I was coming from with my concern that we still try to work hand-in-hand with our farmers, and try to help out in doing the same thing that the USDA is doing. But, again, giving us the leeway to buy fresh, if we want to, to buy frozen, if we want to, to bring a process, like Gene's program needs, because of his type of system. We serve bulk and we prepare things differently and ship them out differently.

So, we all have different needs, and yet there is very little choice with USDA foods, as to how you receive them.

Mr. MCKERNAN. Thanks. Does anyone else want to comment on whether or not you feel that the letter of credit idea is at least a

middle ground which protects the agricultural community a little bit without going too far the other way, and sort of cutting the school districts loose?

Ms. PANNELL. I guess I go back to the original National School Lunch Act, and when it was signed into law, and the two purposes. And if those are still the two purposes of, one, removing the agricultural products from the market, that the tie with the agricultural product is perhaps better if it is a CLOC system versus a cash system.

I think if you were to ask all of us if we would truly rather have cash, or CLOC if we could just have our choice, we would all say cash. It does give you all the freedom, certainly for doing the same kinds of things, but may be not buying the same specific foods that you would want removed.

But I think we are really thinking from the political standpoint, from the farmers' standpoint, and hoping that we could continue to carryout one of those objectives, of the original National School Lunch Act.

Mr. MILLER. I do have some comments as a cashsite, I do feel that I purchased the commodities, the foods that everybody else in the Nation did for my locale. I did not buy sweet potatoes, but the students there don't like sweet potatoes.

I feel that those foods will be purchased by the areas that do. As Dot said, you do have to sometimes put foods of that the students do not like, to introduce them to it. We do do that. We have programs that start in the kindergarten level showing that.

I prefer cash in lieu of commodities, or in lieu of the CLOC system in that during the study I am not one that likes paperwork, and there is more paperwork, but it can be reduced, and it could be managable.

If I had my druthers, I would start with cash, I would go to the CLOC, and last of all, go back to commodities.

Mr. McKERNAN. Let me just followup on that, because I think one of the concerns that people, especially from the agricultural States are going to have is, even with CLOC, whether or not there is going to be some reduction in the support prices for some of the commodities. Clearly, going all the way to cash might have that effect. I am not sure that we shouldn't be moving more in that direction anyway, just as a matter of national policy, but assuming that we are probably not going to move that way very quickly, what is your response to whether you think, as part of the School Lunch Program, there ought to be that combination of agricultural interests and child nutrition and shouldn't we, as a matter of policy, try to make sure that we do try to keep those two together?

Ms. PANNELL. I think we need to keep them together. Having had a big garden at one time and realizing that one year you can be blessed with a great supply of something, and the next year you can plant the same amount of seeds and not get quite so much. I am sure that we are always going to have the ups and downs with our farm crops, and that sometime we just have better yields than other years, and there does need to be some way of relieving the market in order for us to continue as a country that can feed ourselves as well as we do.

So, I see that tie as not being a bad tie, and maybe one that a program of this nature can fulfill, and since we are tied—originally were tied, I really don't see a need to break that tie at this time.

Mr. FORD. Would the gentleman yield?

Mr. McKERNAN. Certainly.

Mr. FORD. One of the interesting anomalies in this program that has already been mentioned today is that the senior Senator from the State of Kansas, succeeded in turning that State into an all-cash State. It not only is the Commodity Program, but it also is the principal place of storage for the commodities at end up being shipped to your State and mine.

So, they are very big in the Commodities Program in every other way, except every school in Kansas is on a cash basis. I would not, but the gentleman seems to suggest that the senior Senator from Kansas has not assiduously represented agricultural interests during his career in the Congress.

You might chat with him sometime about how it works out there in Kansas.

Mr. McKERNAN. Well, the Senator to whom you are referring is going to be in my district this weekend, and I will bring that up. I would guess he would rather have all of that Federal money out there buying Kansas products, than anyone else's.

Mr. FORD. Could I take just a minute to tell you about—in response to the gentleman from Maine—back in the 1970's, we had a Senator from your State who became more than a little distressed. You had some sort of a potato emergency up there, a price problem, and it got so bad that the Canadian potatoes coming into Maine were being intercepted and turned over on the highways. And I am not sure, but my recollection is that they either considered, or did in fact, call out the National Guard for that.

And right in the middle of that melee, the friendly Department of Agriculture arrived in Maine with several carloads of Idaho potatoes. He became a very, very strong convert to this concept very quickly, and we heard more about the problems of Maine potatoes than any of us wanted to learn.

Any when you talk about the agricultural connection that really is at the base of a good deal, particularly in the Midwest, of the concern. My State ranks agriculture next, only to the manufacturing, as our principal economic mainstay. And it does not please them to get 1-year-old Washington apples, and no disrespect to Washington—that have been in storage all summer, right in the middle of the apple season, when school starts in the fall in Michigan. And they are really turning apples into cider and anything they can to get rid of them and the schools buy them literally dirt cheap. In fact, many of the farmers would give them to them, when there is a good crop.

And we get as much reaction from people who say why can't my product in my State be purchased by these people, as we do from people elsewhere. The dairy people in Michigan say, why do our schools get powdered milk from us. We have a surplus, just like other States have, and yet at the time we are wrestling with the surplus they wheel up a train with bags of powdered milk.

We make them bring powdered milk in. If you want to make pizza, you can make a cheese out of the powdered milk can't you?

Mr. PANNELL. Mozzarella?

Mr. FORD. Mozzarella, and they actually ship that around, they shipped powdered milk back simply to make the pizza for school districts all over the country. They would send their powdered milk out there and they would whip it up, make the Mozzarella cheese out of it, put it on and send it back. And that stuff gets moved back and forth. It is good for, I think, the Teamsters and the railroad workers, they ought to really be for this program, more than the farmers, because they haul it all around.

And then finally you have this fantastic thing that used to exist in Alexandria—I don't know if it does any longer, but a few years ago we found that we had warehouses full of butter, over here in Alexandria. And Pennsylvania, which is a substantial dairy State, too, was sending butter down to Alexandria where it was being stored, and then it was shipped back to Pennsylvania in a package, and the people over here storing up were charging us x per pound for taking it in the front door. And when we wanted it, taking it out the back door.

And so the question comes from the people up there, trying to get the Pennsylvania Dutchmen to understand that their butter is no good, if they make it and use it in Pennsylvania. They have to ship it to Washington, first, before it becomes good.

These tie-ins create a lot of anxiety with agricultural interests who do not understand why the old system sort of bypasses them for the big fellows, who know how to work the system. And there is a very strong element of entrepreneurship involved in the support for these concepts at the local level, which partly explains the number of orthodox conservatives on the Senate side, at least, who have always supported this move. But for the true conservative free enterprise people on the Senate side, we wouldn't even have this study.

We were getting our heads beat in, frankly, on this side, in the House, by members of my party, not members of your party. It was members of your party in the Senate who saved us. And some very interesting names that you would never see voting with Bill Goodling and Bill Ford on anything else.

So, it is a little more complex than it looks on the surface, but it is disappointing to see the Department of Agriculture devote four short, sort of generalized paragraphs to the nutritional effects of the program, and then go on and on and on with the economic impact on agriculture. And they only think about the agriculture that sells the commodity that is designated, and they don't think about any other agriculture.

A farmer in Michigan who is not in that stream, the powdered milk does not come out of—I don't know if it comes out of Wisconsin, or not—you are in the MidAmerican Dairy—so you get some of it. It is hard for a Michigan farmer to figure out why, when it crosses the Illinois line, their milk is good for agriculture, and ours isn't.

The gentleman from Wisconsin will tell us, they have been trying to tell us that their beer and their milk is better than ours for years, and nobody in Michigan believes them.

I thank the gentleman.

Mr. MCKERNAN. Certainly. I don't have any other questions, except to say that I think that we are moving in the right direction with this pilot program. I, too, hope that it is going to become one that goes on permanently, especially when you are talking about some of these Commodity Programs. I might point out, Maine farmers are the lowest per capita recipients of Government farm subsidies of any farmers in the country.

So, I think the more we can move toward the free market, the better off not only the school districts are going to be, but we are going to be as a nation.

I yield back the balance of my time, Mr. Chairman.

Mr. FORD. Mr. Gunderson.

Mr. GUNDERSON. Thank you, Mr. Chairman.

The reason milk from Wisconsin is better than from Michigan is simply because it is from Wisconsin. There is no other need that we need for that.

I have to tell you all that I find this hearing delightful. We, on the Education and Labor Committee, are often sentenced to academicians who come in here and laborious read to us some long dissertation they have just written on some education, or social ill that is a struggle in itself to stay awake during. It was especially pleasing because every time we had hearings in this subcommittee on the School Lunch Program, I have given the same speech, which is if you want the School Lunch Program to work, serve a school lunch the kids want to eat.

Frankly, the sweet potatoes and prunes, with all due respect to whoever produces them, I would not eat them when I was a kid, and I do not expect today's students to eat them anymore than I did. So, I commend you all in that regard.

The interesting thing, as I sit here and listen to your testimony, is that the conflict which is inherent has certainly been eloquently espoused by my colleague from Maine, and the gentleman from Michigan. The conflict from agricultural commodities on one hand, especially surplus commodities, and the appealing level, should we say in appetite and efficiency in operating your school lunches—in defense of the Department of Agriculture, sitting on the House Agriculture Committee, as well as this committee, if you had as many commodities to deal with as the USDA today, you would probably take the identical position they have, which is "The heck with everything else, we simply have to find a way to get rid of this commodity."

We have a surplus in every commodity this country produces. So, I understand that.

One of the particular concerns that jumped out at me in the testimony that you and the study obviously reflects is the dairy issue, because I happen to represent the largest dairy district in the country. I have a farmer who has been beating up on me for 6 years because we have not imposed on law proper mandates in the use of milk and dairy products in our School Lunch Program, than we already have today.

You will notice in H.R. 7, the school lunch and child nutrition bill, which is presently going through conference committee, we do require schools again to offer whole milk, simply as a choice. I think there is some legitimate nutritional justification for that. I

would be interested in your reactions to this whole issue of nutrition.

To what level ought the Government be mandating nutrition? Can you somehow convince me and others that actually the nutrition level will increase, rather than decrease under either the commodity letter of credit, or the cash basis? Any comments from you on that, that will actually see nutrition increase, because obviously the Department of Agriculture does not believe so?

Ms. PANNELL. Well, the food does not yield nutrition until eaten. And so that is the challenge whatever we do is plan and prepare food that our students will eat. I believe the National School Lunch Program guidelines which we know as the meal pattern, based on the recommended dietary allowances, have served us well. And the studies that have been done on nutrition have shown that we have increased the consumption of many of the nutrients, and particularly, when you consider for a large number of students that are receiving free and reduced—which I believe the percentage is about 49 percent of those students served in School Lunch Programs across the country right now, are students from homes that are considered needy because their income is below the poverty guideline.

For some of those students that may be the only good meal of the day, and if breakfast is offered, the two good meals of the day.

I believe we can be proud of the fact that we do serve nutritious foods that we are just not, in quotes, filling stations, and that we are, as one of our goals, to meet the nutritional requirements of that student. And I believe the program, without doubt, regardless of whether it is a commodity, or a CLOC, has accomplished that. And I do not see one necessarily being that much greater than the other.

The points that we have make with CLOC is that it does give us that flexibility to plan that food that that student will eat in that community versus trying to push an item that is not popular in that area of the country.

Mr. GUNDERSON. Any other comments?

Mr. VERRILL. Yes, I would just like to note that we were able to buy fresh tomatoes instead of canned, fresh grapes instead of raisins, fresh potatoes and other fresh vegetables, along with frozen vegetables instead of canned, and were able to steam those, instead of taking something that is already cooked to death and pouring the liquid off, with all of the nutrients, and in doing this I am sure that we increased our minerals and vitamins and roughage for our kids.

Also, I would like to note, as you mentioned on H.R. 7 on the milk, we have switched over to exclusively low-fat milk, and there are several reasons for it, going back over the U.S. dietary goals that was done a few years ago, and the suggestions made to the School Lunch Program, tightening down on fats, and salts, and different items. We felt this appropriate to try, also in Portland, about 68 percent of my kids are free and reduced. I find that most of them are receiving low-fat milk at home, because it is a more reasonable product to buy and it is what they can afford.

We do have whole milk available and some kids do choose to have it, and I see no objection to what you people are trying to do.

And if it would get a child to drink milk that otherwise wouldn't, I would support that. However, I see an area bigger than this that could help us more, and I go back probably 12 years ago, when we used to have the Special Milk Program within our school systems and where a free child could have an additional milk free, and where the milk was subsidized, so they could sell it at a more reasonable price to all children.

When that program ended, it cut my milk consumption in half, and back then, I remember years when we didn't receive cheese, because there wasn't a surplus, there wasn't much of it. I don't know if there is any connection, or not, but I have a feeling that probably most schools see their consumption cut in half from Special Milk Programs were done away with, and I am sure it increased the volume on the market, that had to be produced into cheeses and other products, which are more costly, first of all, to do and to store, and if I had my druthers, I would rather see that child getting a fresh, half-pint of milk or an additional one.

And that's one item in my schools there is absolutely no waste in, and the children would take an additional one, if they were able to. We would be doing the child more good, it would be costing us less money in processing and storage. And I just feel it would be more nutritionally sound.

It is too bad we couldn't go back to something like that.

Mr. GUNDERSON. How would the commodity line of credit work in regards to dairy products, under the School Lunch Program?

Mr. VERRILL. OK, now we are receiving the same bonus items as any other school. The year that we were able to do our own purchasing, we still were not allowed to purchase whole milk under this program, or if we did, it had to be in, I believe, gallon containers, or larger, we couldn't do it in the half-pints for our children.

So, that did not in anyway affect our consumption, or our purchasing. I did purchase a lot more dairy products then, the yogurts and some of the ice creams, and other things for our children. I used an awful lot more dairy products than I am able to now under that program.

Mr. GUNDERSON. I would like to continue this, unfortunately, we have to vote, and the second bells mean that it is time to get running, or we will miss the vote.

I do not know what the chairman wants to do. I am willing to quit, if you want to run and vote.

Mr. FORD. What is the vote?

Mr. GUNDERSON. It is the vote on the Dannemeyer budget, so you may want to show up.

Mr. FORD. We will break for a few minutes, and come back.

Mr. GUNDERSON. I can conclude, Mr. Chairman, if you want to conclude the hearing.

Mr. FORD. All right, go ahead, and we will wait for the second bell.

Mr. GUNDERSON. I would like to let her respond, and then that is sufficient for me. I will yield back the balance of my time.

Ms. PANNELL. I do feel that the Federal Government under the bonus program has limited the form in which we can get your dairy products. And one of the advantages, when that was CLOC'd

out, was that we could increase the variety, yogurts, and the different kinds of cheeses.

You know for such a long time the only cheese we could get was processed, then we got cheddar, and it really took something to get mozzarella, and that is a popular pizza item. And that has helped consumption, I am sure, more than any one thing, given some variety. But we are very limited in how dairy products are presented to us. And your farmers might like to look at what we did during that year we were CLOC'd out on bonus commodities, because I am sure that if it was a CLOC nationwide, people could buy the products whether it was cottage cheese, or Swiss cheese, or colby cheese, or whatever. You could increase your consumption of dairy products, if you weren't so limited to your choices.

Mr. GUNDERSON. Thank you very much.

Mr. FORD. Thank you very much.

Mr. Goodling won't be able to get back, so we will conclude here, and indicate to the witnesses that there will be some questions from members of the committee, and we had a number of statements submitted.

There are people who, under the time constraints we could not hear. I would invite anybody who is here in the audience, who would like to respond to anything that they have heard today, or has been stimulated by anything they heard today, to add their expressions of concern to us, submit those to the committee and we will hold the record open, so that they will be included contemporaneously with the discussions here this morning, and the report of the committee back to the full committee.

And just to repeat what has already been said, while we would like to begin moving again on ultimately a local option for these alternatives, it is just not in the cards for calendar year 1986. We have more on our plate than we can pray over, and part of it is out there on the floor right now. And we wouldn't get very far, if we made that effort this year.

We can't even get back to conference to finish H.R. 7, and as it stands now, the chairman is taking extraordinary steps to try to get us back at the conference, and get reauthorization out. But there is just no chance we could move, as much as we would like to.

And for those at the table, and in the audience who have some frustration over that, I can only say that a lot of us up here share that frustration, but we have to live with the system. And we just can't do it now.

Thank you so much for your participation and your cooperation.

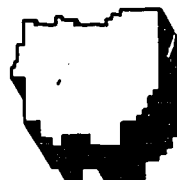
[Whereupon, at 11:15 a.m., the subcommittee was adjourned.]

[Additional material submitted for inclusion in the record.]

TROY

SCHOOL DISTRICT

FOOD SERVICE DEPARTMENT



1100 Urbancrest • Troy, Michigan • 48063 • (313) 689-7494

May 2, 1986

The Honorable William D. Ford
239 Cannon House Office Building
Washington, D. C. 20515

Dear Mr. Ford:

On Thursday, May 15, 1986 there will be a Congressional Hearing on alternatives to commodities scheduled in the House of Representatives before the Elementary, Secondary and Vocational Education Subcommittee, which I understand you are a member of the committee.

Currently, the Troy School District has been involved with a pilot program which has allowed our school district to receive cash in lieu of commodities. We have been on this program for several years and it has proven to be most beneficial for the district in all respects. The CLOC program gives us far greater flexibility in planning a menu that is more desirable to the students and, therefore, increasing our participation to a high percentile. It affords us the opportunity to purchase the allotted commodity items when we need them and not having to be concerned with inadequate warehousing and freezer space. It allows us to maintain a quality program with very high specifications on food purchases. A very important plus for the program is how it also affects the local farmer or producer. We can purchase our homegrown products rather than having the same item shipped in from across the country. It allows us to purchase convenience foods which has saved on our budget greatly, considering that we are a union labor district. Record keeping for this program has not been a problem in any respect.

Dr. Don R. Shader
Superintendent of Schools
Lawrence R. Hamilton
*Assistant Superintendent,
Instruction*
Dr. Barbara A. Fowler
*Executive Director,
Secondary Instruction*
Maureen E. Kelly
*Executive Director,
Personnel Services*
Lowell J. Crandall
*Executive Director,
Auxiliary Services*
Marjane Zottner
*Executive Director,
Business Services*

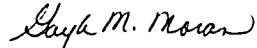
Board of Education: Mary Ann Krainbring, President; Andrea Arends, vice-president; Jim Cyrulewski, secretary,
Robert G. Bishop, Anna-Marie Christenson, Ida Edmunds, Edith Gonzalez, trustees



Personally speaking, I became employed by the Troy School District two years ago and prior to that I was a Food Service Director of a district that received the actual commodities. With my experience in both types of programs, I truly believe the CLOC program far exceeds the structured commodity program. It allows the food service department to become competitive with the fast food chains and, therefore, remain financially solvent.

I truly hope that you will continue to support the CLOC program and perhaps allow each school district to make the best choice for their individual programs. If I can be of any service to you, please contact me.

Yours truly,



Gayle M. Moran
Supervisor of Food Service

GMM/mlw

Statement of

Robert St.Pierre, Michael Puma and Frederic Glantz

Abt Associates Inc.
55 Wheeler Street
Cambridge, MA 02138

We attended the hearings on the cash and letter-of-credit systems held before the Subcommittee on Elementary, Secondary, and Vocational Education of the House Education and Labor Committee at 9:30am on May 15, 1986. As authors of the evaluation report that was the subject of some of the discussion, we would like to provide information to the Committee that we hope will be useful in understanding the cash and letter-of-credit systems.

Determining Causality

Most important, is that the testimony of persons who have run a cash or letter-of-credit system cannot be used in isolation to draw conclusions about the effectiveness of those systems, because such persons can only tell half of the story.

For example, if participation rates in Fairfax Co., VA or Portland, ME go up during the period of the demonstration, school food service managers present this to the Committee as evidence that the letter-of-credit system leads to increased school lunch participation. While we do not dispute the assertion that participation may have gone up in these school districts, it is not possible to conclude that the letter-of-credit system caused the increase without additional information. The necessary additional information is an estimate of what would have happened to participation rates in the absence of the letter-of-credit system. Perhaps participation would have gone up anyway, for some reason completely extraneous to the letter-of-credit system, or perhaps it would have gone down. We do not know without looking at the participation rates of school districts that did not receive letters of credit.

The way in which we estimate what would have happened in the absence of the letter-of-credit system is to examine the experience of school districts that are not in the letter-of-credit system, i.e. control group school districts. The full evaluation report shows that while the participation rates of school districts in the letter-of-credit system indeed rose by 1.3 points during the demonstration (from 57.4% to 58.9%), the participation rates of school districts under the commodity system rose by 1.8 points during the same period (from 60.1% to 61.9%). Thus, the 1.3 point average increase in the letter-of-

credit school districts cannot be attributed to the letter-of-credit system--because during the period of the demonstration there was a general rise in participation, even for school districts that were receiving commodities.

The same logic applies to all the data presented by school districts. While they can tell the Committee about what happened in their school district, they do not have the information necessary to determine whether the letter-of-credit system caused the changes that they see. This can only be done by examining similar information from school districts in the control group. The evaluation report is based on such data, and correctly reports on the effectiveness of the cash and letter-of-credit systems.

Nutritional Impacts

The assessment of the nutritional effects of the cash and letter-of-credit systems is indeed open to criticism. The full report makes it very clear that this is a relatively weak part of the study, and that it is included under the assumption that some information is better than no information. The key to the nutritional assessment presented in the report is understanding that the data represent the nutritional value of the foods as purchased by school districts, not the nutritional value of the foods served to children. We do not know anything about the nutritional value of the food that actually ends up on the plates of children. Rather, the evaluation collected data on the foods that were purchased by and donated to school districts. By using a highly regarded data base (from the National Food Consumption Survey) we translated quantities of purchased foods into quantities of nutrients. In this way, we calculated the nutritional value of the foods that are purchased by school districts, and it is this information that is presented in the report.

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Abt Associates Inc.
55 Wheeler Street, Cambridge, Massachusetts 02138
Telephone • Area 617-492-7100
TWX: 710-3201382

May 19, 1986

Mr. John Jennings
Counsel, Subcommittee on Elementary, Secondary, and
Vocational Education
Room B-346C
Rayburn House Office Building
Washington, DC 20515

Dear Mr. Jennings,

I attended the hearings of the Subcommittee on Elementary, Secondary and Vocational Education on the cash and letter-of-credit systems last Thursday, May 15 at 9:30am. At the end of that hearing Congressman Ford indicated that interested parties could submit statements for inclusion in the record. Please accept the attached statement for the record. Thank you for your help.

Sincerely,



Robert G. St. Pierre

55

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California Urban School Food Services Directors Association

May 23, 1986

Fresno Unified School District
 Tulare and 44 Street
 Fresno, California 93721

Long Beach Unified School District
 2702 Pine Street
 Long Beach, California 90806

Los Angeles Unified School District
 1215 South San Julian Street
 Los Angeles, California 90015

Oakland Unified School District
 900 High Street
 Oakland, California 94611

Sacramento Unified School District
 P. O. Box 2271
 Sacramento, California 95810

San Diego Unified School District
 6202 Normal Street
 San Diego, California 92103

San Francisco Unified School District
 125 Escalante Avenue
 San Francisco, California 94112

San Jose Unified School District
 720 West Julian Street
 San Jose, California 95126

Congressman Augustus Hawkins, Chairman
 Subcommittee of Elementary, Secondary
 and Vocational Education
 Room 8346C
 Rayburn House Office Building
 Washington, D.C. 20515

Dear Congressman Hawkins,

We appreciate the opportunity to provide written testimony with respect to the issue of commodity foods, CLOC, or cash for Child Nutrition Programs. The Association of California Urban School Food Services Directors represents Child Nutrition Programs in the eight largest school districts of the State of California. Collectively we serve more than 50 percent of Child Nutrition Program meals served daily in California. The Subcommittee Hearing on the commodity, CLOC, or cash issue provides us with an important opportunity to present vital concerns.

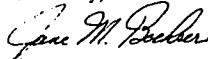
One of our members piloted cash in United States Department of Agriculture (USDA) studies. One of our members served as a commodity control site during the recent Congressionally called USDA study comparing commodities, CLOC, and cash. Our Association speaks for continuation of the existing commodity food program. Our reasons can be enumerated:

1. A finding of the recent Congressionally called USDA study is that the commodity food program gets the most of the available dollars to the child as food. Four cents more per meal is a significant differential contribution.
2. The commodity food program provides the tightest link to the nation's surplus food removal, both in timing of surplus food purchase and in location of surplus food purchase.
3. The administrative controls and, accordingly, surplus food removal assurance of the proposed CLOC system are unclear and questionable, inviting graft and corruption. There is a long-range credibility danger in the proposed CLOC program.
4. The commodity food program supports the stability of our nation's food production capability. The United States today, to the envy of world super powers, holds the strongest agricultural capability. Let's preserve it.

Child Nutrition Programs were established by Congress after World War II to redress malnutrition found in the youth of America inducted into World War II military service. Provision of the nation's surplus commodity foods to Child Nutrition Programs has, in effect, used our nation's food production strength to build the strength and well-being of our nation's youth. The United States is doubly served.

We request that the committee remember these vital underpinnings of Child Nutrition Programs in the debate between commodity foods, CLOC, and cash. Support and strengthening of the commodity food program will accomplish much more than turning the program in for a new deck.

Sincerely,


 Jane M. Boehr
 President

Food Services Director
 San Diego Unified School District

JMB:aa

860523A.2

Reduction in Value of the Entitlement

In the testimony of persons who have run a cash or letter-of-credit system there was some confusion as to how the "market value" of commodities was determined, and perhaps more importantly, why the Evaluation used the market value of commodities rather than the actual cost of these commodities to USDA. The use of market value rather than cost reflect the fact that the "worth" of the commodities to a school district is determined not by what USDA paid for the commodities, but what it would cost the school district to replace them in their lunch programs if they were no longer received from USDA. Examples of the use of replacement value rather than cost abound in every day life. A few illustrations would make this point clear:

- Anyone who purchased real estate several years ago knows full well that the price that they paid for their property bears little resemblance to its current market value. People insure their homes for its replacement cost, not the price they paid for it.
- The box office price for Super Bowl tickets was \$75. Anyone trying to buy a ticket on the street in Boston this past January would have found that the value of a ticket was between \$500 and \$700. Anyone losing a Super Bowl ticket would know at once that he had lost considerably more than \$75, even if he was lucky enough to purchase the ticket at the box office.

In assessing the effect of the cash and letter-of-credit systems an important issue is the value of the subsidy received by the school districts. For the districts that continued to receive donated commodities, the value of the subsidy is best measured by the market value of the commodities received, not the cost of these commodities to USDA. If these school districts did not receive the donated commodities, additional food would have to be purchased on the open market. The value of the commodities received is determined by the open market price--the replacement cost of the commodities.

♦



NATIONAL **frozen**
food ASSOCIATION, INC.

GOVERNMENT RELATIONS OFFICE
TWO-FOUR E STREET, N.E.
WASHINGTON, D.C. 20002
TELEPHONE: (202) 547-6332

March 26, 1986

Mr. John Bode
Assistant Secretary for Food & Consumer Services
U.S. Department of Agriculture
14th & Independence Avenue, S.W.
Administration Building, Room 207W
Washington, D.C. 20250

Dear Mr. Bode:

On behalf of the National Frozen Food Association (NFFA) and the American School Food Service Association (ASFSA), we are transmitting to you a copy of the joint resolution adopted by our two associations relating to the USDA donated commodities program.

As you may know, our two associations appointed a ten member task force to study the subject of donated commodities and alternatives to the present system. That task force unanimously recommended the resolution we adopted to both associations.

Both the NFFA and the ASFSA are anxious to meet with you in the near future to discuss the resolution and its attachments, particularly our suggestions for improving the commodity program. We suggest that you coordinate such a meeting with our respective staff heads, Ann Smith for ASFSA (800-525-8575) and Nevin Montgomery of NFFA (717-534-1601).

We look forward to meeting with you in the near future.

Sincerely,

William Boone

William Boone
National Frozen Food Association

Sharon Gibson

Sharon Gibson
American School Food Service Assoc.

Enclosure (1)

cc: George Braley
Marshall Matz
Michael Giuffrida
Nevin Montgomery
Ann Smith
NFFA/ASFSA Joint Task Force Members

HEADQUARTERS
P.O. BOX 398
HERSHEY, PENNSYLVANIA 17033
TELEPHONE: 717-534-1601

JOINT RESOLUTION
OF
THE AMERICAN SCHOOL FOOD SERVICE ASSOCIATION
AND
THE NATIONAL FROZEN FOOD ASSOCIATION

WHEREAS, the United States Department of Agriculture (USDA) commodity distribution program is an important part of the federal support for the National School Lunch Program;

WHEREAS, commodity processing is an indispensable element of the commodity program and allows schools throughout the country to derive the full benefits of the commodity distribution program;

WHEREAS, legislation was introduced in the Congress in 1980 to replace the commodity distribution program with a commodity letter of credit (CLOC) program;

WHEREAS, USDA has conducted an evaluation of alternatives to the commodity donation program;

WHEREAS, the Administration proposed, as part of its 1986 budget, child nutrition amendments that, if enacted, would have resulted in at least 5 to 6 million children and 8,000 - 10,000 schools being forced from the National School Lunch Program;

WHEREAS, it is reasonable to assume that all federal programs, including the National School Lunch Program, shall continue to face a severe challenge to its federal support until such time as the federal deficit is in balance or significantly reduced;

WHEREAS, it is agreed that it would be best, during the current budget crisis, to provide a strong broad political coalition that supports the National School Lunch Program;

WHEREAS, the parties hereto executed a Memorandum of Understanding on July 25, 1985 (attached as Exhibit A) committing each organization to (a) jointly oppose any additional reductions in federal financial support for the National School Lunch Program, and (b) fully discuss options to the USDA commodity distribution program;

WHEREAS, Congressman Bill Ford wrote to the parties hereto commending the Memorandum of Understanding (attached as Exhibit B);

WHEREAS, these discussions have been fruitful and informative;

WHEREAS, the CLOC system has been shown to have many positive features;

WHEREAS, numerous steps have been identified that, if implemented by USDA and the states, could improve the commodity distribution program (attached as Exhibit C);

WHEREAS, the Department of Agriculture has informed us that they are about to commence a further study of the commodity distribution program in all fifty states;

IT IS HEREBY RESOLVED BY THE JOINT AMERICAN SCHOOL FOOD SERVICE ASSOCIATION/NATIONAL FROZEN FOOD ASSOCIATION AD HOC COMMODITY PROGRAM STUDY GROUP, AS FOLLOWS:

1. We shall continue to work together in opposition to any further reductions in federal support for the National School Lunch Program.
2. We shall, for the time being, support a continuation of the USDA commodity distribution program. To eliminate further eroding of this support, a concerted effort must be made to correct the deficiencies and seek improvements of the current commodity distribution program, as recommended in Exhibit C, within a 16 month period to begin immediately. If at the end of this period, USDA has not implemented these recommendations satisfactorily, legislation should be introduced to offer a workable commodity/CLOC option to all states.
3. We shall transmit to USDA those changes listed in Exhibit C that are necessary to sustain our continued support of the commodity distribution program. The joint task force will monitor and review progress with periodic reports to each of the Associations.
4. It is agreed that an expanded CLOC program with a state option would address many of the disadvantages (see Exhibit D) of the present commodity program and be a viable alternative.
5. It is recommended that the current CLOC program for pilot sites be extended for the period January 1, 1986 - June 30, 1987.. This should be a refinement and fine tuning period for both programs. Current cash pilot sites should be given the option of CLOC or commodity program, only.

Approved by:

Sharon Nelson
American School Food Service Association

3-5-86
Date

William J. Hartman
National Frozen Food Association

3-17-86
Date

Memorandum of Understanding
between
The National Frozen Food Association
and
The American School Food Service Association

WHEREAS, the Administration has proposed child nutrition amendments that, if enacted, would result in at least 5-6 million children and 8,000-10,000 schools being forced from the National School Lunch Program; and

WHEREAS, the parties hereto believe that this child nutrition proposal would not be in the public interest;

THE PARTIES HERETO AGREE AS FOLLOWS:

1. The National Frozen Food Association ("NFFA") will seek to "table" Congressional consideration of the commodity letter of credit legislation this year (1985) as procedurally divisive. NFFA will work with the American School Food Service Association ("ASFSa") on the fiscal year 1986 budget with the stated objective of seeking maintenance of the National School Lunch, School Breakfast and Summer Food service Programs at their current services level, and will support the reauthorization in H.R. 7 of those child nutrition programs that expire this year.

2. Towards this end, the NFFA will engage in, at a minimum, the following activities and urge its member companies to do the same:

a. Send a letter to the appropriate members of Congress urging that debate on the letter of credit proposal be "tabled" during 1985;

b. Send letters to the Congress in opposition to the Administration's 1986 child nutrition proposals;

c. Testify before appropriate Congressional Committees;

d. Direct that its Washington, D.C. government relations staff carry out liaison and lobbying activities in opposition to the proposed budget cuts; and

e. Urge its member companies attending the March, 1985 Government Issues Workshop to visit their Congressional representatives.

3. The ASFSA agrees to work with the NFFA to obtain enactment of legislation to continue the school districts participating in the Cash/Commodity Letter of Credit Pilot Project Study in the mode they presently are in until such time as the Congress makes an affirmative legislative decision on either a change in the commodity distribution program or sends all school districts in the nation back to the present program.

4. The ASFSA agrees to actively support a two year extension of the NCP (National Commodity Processing Program).

5. The ASFSA and the NFFA will each select five members to comprise an ad hoc commodity program study group to fully discuss commodity program options for school lunch and, if possible, come to an agreement on a mutual course of action to pursue. There is a commitment of good faith, financial and staff resources to the extent possible, made by both associations. There shall be at least 3 meetings of the study group over the next twelve months at mutually agreed upon locations and times. These meetings shall provide an opportunity for ASFSA members whose food service program is operating with cash or commodity

Handwritten signature/initials

letters of credit as part of the pilot project study to make presentations to the study group. The Virginia Polytechnic Institute and USDA evaluation contractor, Abt Associates, shall also be invited to make presentations to the study group.

The objective of these meetings and discussions shall be for the ASFSA members to make a recommendation to the Association's Legislative Committee concerning the Association's position on alternatives to the present commodity program. The NFFA representatives will make its conclusions and recommendations known to the NFFA Government Relations Committee.

6. The American School Food Service Association agrees that during a joint session of District Directors and Supervisors; Major Cities; and State Directors at its 1985 Annual Convention in Philadelphia, - Pennsylvania, there shall be a presentation to the membership, by ASFSA members, of the USDA commodity letter of credit study, outlining how the program, and any options thereto, would work if implemented.

Approved By:

Walton Lamy 1985
President
 (Title)

Date: July 25, 1985

National Frozen Food Association, Inc.

* Nancy B. Perry
President
 (Title)

Date: 7-25/85

American School Food Service Association, Inc.

* ~~Com's approval pending Board approval~~

OFFICE OF THE
CLERK OF THE HOUSE
OF REPRESENTATIVES
70155 CONGRESS ROAD
TAYLOR, MICHIGAN 48180
(313) 387-4500
31 SOUTH MUMFORD
TAYLOR, MICHIGAN 48187
(313) 482-4036

Congress of the United States
House of Representatives
Washington, D.C. 20515

March 21, 1985

EDUCATION AND L
SUBCOMMITTEES
ELEMENTARY, SECONDARY
VOCATIONAL EDUCATION
POSTSECONDARY EDUCATION
LABOR-MANAGEMENT RELATIONS
HEALTH AND SAFETY

EXHIBIT B

Ms. Ann Smith
Executive Director
American School Food Service
Association
4101 East Iliff Street
Denver, Colorado 80222

Dear Ms. Smith:

I am writing to express my appreciation for the Memorandum of Understanding recently entered into by the American School Food Service Association and the National Food Association, in which the parties pledge to work together over the next 12 months to reach agreement on a course of action with respect to Congressional consideration of the Commodity Letter of Credit Legislation.

The Memorandum of Understanding shows your awareness of the difficult struggle that lies ahead for Congress in its efforts to defeat the President's budget proposals for FY 1986 related to the School Lunch and other child nutrition programs. I know that I speak for many of my colleagues when I say that we welcome the combined strength of both Associations in this effort, not only to protect funding for these vital programs in the coming Fiscal Year, but for the expedited enactment of H.R. 7, a bill that will reauthorize those child nutrition programs about to expire.

Your agreement to temporarily table the Commodity Letter of Credit legislation is not only an astute recognition that it would be divisive to pursue it at this time, but it also indicates that you are mindful of the great effort and sacrifice required of everyone if we are to reduce the huge Federal deficit.

It is best that we join our energies in the task of convincing Congress that cutting another 16 percent out of school lunch and child nutrition programs, on top of the \$1.5 billion in cuts made in these programs since 1981, is not only economically counterproductive to a healthy and secure Nation, but it also would be grossly inequitable to expect these programs to continue to bear more than their fair share of the deficit-reduction burden.

With kind regards,

Sincerely,

WILLIAM D. FORD
Member of Congress

WDF:bkw

BCC: Marshall Hay

EXHIBIT C

SUGGESTED IMPROVEMENTS IN THE COMMODITY
DISTRIBUTION PROGRAM
from
THE AMERICAN SCHOOL FOOD SERVICE ASSOCIATION
and
THE NATIONAL FROZEN FOOD ASSOCIATION

Listed below are prioritized recommendations to be submitted to the United States Department of Agriculture for improvements in the Commodity Distribution Program.

Develop specifications which will assure products of the quality and in the form most useable to the local school food authorities taking into consideration the commonly available commercial forms, sizes and regional preference in which purchased food is obtained.

Develop purchasing and processing policies more consistent with the dietary guidelines and meal pattern requirements.

Develop and implement more reliable delivery schedules timed to the school year needs.

Publish minimum service requirements for State Distribution Agencies to include:

- Maximum up-charge
- Power to enforce recommendation

Whenever policies are revised or new regulations developed involving the Food Distribution Program, states and others affected during developmental stages should have input. Those at the federal level developing regulations and policies, many times do not know the hardships caused at the state or local level.

Develop tighter and more stringent specifications to be utilized by United States Department of Agriculture when purchasing processed items.

The United States Department of Agriculture require state agencies to evaluate delivery systems to schools and subsequently require state agencies to implement the most efficient and cost effective delivery system for local school food service authority.

Develop regulations for State Agencies to observe in order to administer the entire food distribution program - consistency among and between states is necessary. If Congressional legislation is needed, write and introduce.

Establish a value that the State Distribution Agencies should use in allocating commodities to the local school food authorities. (Suggested FOB + Freight to state warehouse.)

EXHIBIT C (cont'd)

Develop specific procedures for allocating food (entitlement) to the local level. introduce legislation to provide State Administrative Expense funds based on the formula to include the value of the food distributed in the State Administrative Expense formula in order that funds would be available to administer the program.

Develop a system of communication from United States Department of Agriculture, Division level to all Regional Offices. Frequently, states in other regions do not receive the same information from their respective Regional Office.

Develop shorter lead time to order Group B foods. Presently, 90 days in advance are required to have food requisitions in the Regional Office. This is a hardship on states.

Develop a system to provide samples of new commodities at state or local level prior to making a large purchase. We get a large quantity only to find that the item is not acceptable by children.

Ship government commodities in large quantities at the beginning of the school year rather than at the end to eliminate storage problems and expense of storage over the summer.

Establish a communication network with representatives from American School Food Service Association, Food and Nutrition Service, Industry, State Commodity Directors and Commodity Credit Corporation in quarterly meetings. Define specific areas for improvement in program with developed time line for completion. Quarterly meetings are recommended. This would ultimately effectuate desired changes and establish open communication between all identities.

Develop measures to improve processed foods:

- Specification writing by United States Department of Agriculture for processed foods can be improved - with industry input.
- Recourse by states to United States Department of Agriculture if product is out of condition and/or not acceptable.
- Enforcement of standards by state agencies with vendors. Suggest panel of school food authorities to check for quality control before distribution to school food authorities.

Mandate training and/or experience specific to the job assignment for all personnel administering commodity distribution programs at federal and state levels.

Develop a faster turnover of commodities at the federal level.

Establish longer period and more accurate forecasting of commodities in order that local purchases can be adjusted accordingly.

Improve quality of foods.

ADVANTAGES

COMMODITIES

1. Commodities currently provide significant assistance to the National School Lunch Program.
2. United States Department of Agriculture Commodity Distribution Program is directly tied to the farm economy and is less likely to be cut by Congress.
3. The Commodity Distribution Program provides a strong network with community, social and Government programs. (Red Cross, Salvation Army etc.)
4. The available commodities help create a market for new and unfamiliar food items as well as provide some items that are not as affordable to local school food service authority.
5. The use of commodities eliminates the need for a dual system.
6. The use of commodities aid in local schools cash flow.

DISADVANTAGES

COMMODITIES

1. Inadequately managed program at federal, state and local levels that include:
 - a. Inability to communicate between levels.
 - b. Inconsistent quality of products.
 - c. Specifications not appropriate for local school food authority needs.
 - d. Products not available when needed.
 - e. Inconsistent administration of program at state and local levels.
2. Lack of resources for state administration.
3. Burden on local school food service authority for needed storage results in higher cost.

ADVANTAGESDISADVANTAGESCOMMODITY LETTER OF CREDIT
ALTERNATIVE

1. The Commodity Letter of Credit allowed local school food authority to purchase products in the form desired with flexibility in time of purchase and the use of local purchasing procedures.
2. The reimbursement is provided in advance for food purchases.
3. Less storage space at state and local level is required.
4. The Commodity Letter of Credit provides the ability to trade assets easier.
5. Pressure was placed on United States Department of Agriculture to improve services rendered to local school food authority.
6. There is a potential increase in allied support (food processors).

COMMODITY LETTER OF CREDIT
ALTERNATIVE

1. The Commodity Letter of Credit creates an increase in administrative and distribution cost to schools and necessitates cumbersome audit and excessive record keeping.
2. There is a need for a dual system to handle bonus commodities and other United States Department of Agriculture programs.
3. Agriculture and allied support would diminish.
4. Limited training in operating Commodity Letter of Credit program at federal, state, local levels, and industry.
5. Local schools would have a potential cash flow problem if reimbursement is not received in advance.
6. The Commodity Program would be vulnerable to cuts by Congress.
7. This program could potentially move fewer food items from the market.

STATEMENT
OF
JUDY STANTON
FOR THE
SUBCOMMITTEE ON ELEMENTARY, SECONDARY, AND VOCATIONAL EDUCATION
UNITED STATES HOUSE OF REPRESENTATIVES

May 15, 1986

Mr. Chairman, Members of the Committee, my name is Judy Stanton. I am a registered dietitian and Director of Food Services for the Independent School District of Boise City, Idaho. I would like to present the advantages of adopting a local option for "Alternatives To Commodities."

Boise School Food Services serves 12,500 lunches and 2,000 breakfasts each day. The annual budget is \$2,564,473 at a cost of \$1.07 per meal. The amount of money received for cash-in-lieu commodity program at the rate of .1175 per meal is \$216,993 per year.

The Boise School District was one of the eight (8) school districts to participate in the cash-in-lieu of commodity pilot programs for the year 1978-79. Documentation is available showing that the Boise District saved \$87,000 per year or 4.6 cents per meal using the cash-in-lieu program. After being on the commodity program since the 1979-80 school year, we have continued on the cash-in-lieu of commodities program with a high level of success. Our experience shows that if we had received USDA commodities, we would have only been able to use \$.05 of the commodities efficiently and would have lost \$105,270 per year over a six year period.

The cash-in-lieu of commodities program supports a system to locally purchase all agricultural commodities. This concept of local purchasing benefits the School District by improved efficiency and effectiveness in:

1. Menu planning for student acceptability.
2. Purchasing procedures.

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3. Better management of inventories.
4. Achieving the desired quality of commodity purchased.
5. Better control of labor costs.
6. Utilization of existing facilities and equipment.
7. Control of storage costs.

And, the most important benefit, is the improved nourishment of the students by the increased participation in the School Food Service Program.

Acceptability by the students will determine their participation, which affects their nutrient intake. Students who do not choose to eat school meals because the food is unacceptable or they throw their food away in the garbage, lose the benefits of a nourishing school meal.

Anyone who is involved in planning menus for young people is aware of the difficulty of trying to meet their changing and variable food preferences. The Boise School Food Service meets with students to determine their food choices. Many of the donated commodities are unacceptable to the students such as fried chicken, vegetarian beans, sweet potatoes, prunes, figs, canned vegetables, canned meats, steelhead trout with bones, grapefruit juice, canned plums and rice.

If an unpopular item is served, participation can drop as much as a 1000 meals a day in the elementary schools alone. Serving a meal at only \$1.07 is dependent upon maintaining high participation which keeps overhead costs down.

PURCHASING:

Menus are planned six months in advance, with food placed on bid in quantities for the ensuing six-month period. This enables food to be purchased in sufficient quantities to take advantage of large quantity discounts and to maximize the efficiency of the bid process. Because school districts have not

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been notified far enough in advance of commodity deliveries, it is necessary to cancel or delay the receiving of items for which bids have already been awarded. This causes local purveyors to be unwilling to bid, or bid higher prices to allow for these alterations in the original bid.

Other than a general list of probable commodity deliveries per year, without dates or amount, the school district receives only six weeks prior notice of the approximate delivery dates and quantities from the State Office. This may result in receiving large quantities of items that the school district already has in stock.

Foods may be purchased on the local level at a price equal to, or less than, the price charged for USDA commodities. In addition to the USDA price, the State charges \$1.80 per case for shipping and handling.

The Boise School District is able to purchase food at a savings on the local level.

Food may be purchased locally that can best be utilized by the school district with existing facilities and equipment. The processing of commodities to make them usable only adds additional cost to an already expensive item.

An example of an unusable commodity is the french fries USDA purchases. They are light in color and require 25 minutes to cook in an oven. Boise Schools' kitchens do not have deep fat fryers. The french fries purchased locally are made especially for oven preparation and require 8-10 minutes to cook and may be served immediately. USDA french fries require such a long cooking time that they must be cooked ahead and kept warm. This results in limp, soggy french fries.

STORAGE:

USDA commodities are delivered in large quantities that must be stored

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for a long period of time. The Boise School District pays for commercial storage of the commodities until they are delivered to the individual schools in quantities for one week. The bulk of the commodities are received in the spring which must then be stored throughout the summer and fall. Commodities are delivered in the following amounts:

- 6 months frozen chicken
- 12 months corn
- 6 months pears
- 6 months peaches
- 9 months dehydrated potatoes
- 6 months green beans
- 9 months frozen vegetables
- 5 months frozen peas
- 12 months tomatoes
- 9 months tomato paste

Locally purchased foods are delivered as needed to the school district's central warehouse. A decision can be made at the time of purchase as to which is more cost-effective, to take a carload of an item or have it delivered monthly. Storage costs and the amount of food in stock increases 40% when we use USDA commodities instead of food that is locally purchased.

LOCAL CONTROL:

Decisions concerning which commodities should be purchased are made best at the local level. Some foods may be popular in one geographical area, but that does not mean the students in Idaho will eat them. By local control of purchasing, we can make sure that maximum dollar value and food value is received for the money spent. High cost foods like blueberries, almonds, pie

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cherries and steelhead trout are not an economical use of the school food service dollars.

The Boise School Food Service food cost per meal is \$.49 and does not allow the purchase of these high priced commodities that provide little food value in relation to their cost.

In conclusion, I would like to recommend that this committee support a local option for "Alternatives To Commodities."

PREPARED STATEMENT OF PAULA RHOADES, SUPERVISOR OF CHILD NUTRITION,
CADDO PARISH SCHOOLS, SHREVEPORT, LA

May 15, 1986

Statement of Paula Rhoades to the United States House of Representatives,
Subcommittee on Elementary, Secondary, and Vocational Educational Education.

Mr. Chairman and Members of the Subcommittee:

My name is Dr. Paula Rhoades. I am a Registered Dietitian and the Supervisor of Child Nutrition Programs of Caddo Parish Schools in Shreveport, Louisiana. We serve approximately 8,300 breakfasts and 38,750 lunches daily from 70 school cafeterias.

I appreciate the opportunity to share my thoughts on alternatives to donated commodities, specifically cash-in-lieu of commodities (CASH). As a test site for the demonstration project since 1981, Caddo Parish Schools have received cash-in-lieu of commodities for four years. The CASH program has been very successful in Caddo Parish Schools.

First, the CASH program has saved us money. By receiving money instead of actual commodities, we have reduced our warehousing expenses to less than one quarter of what they were before the study began. We have had additional savings in truck maintenance and labor for transporting commodities within the parish. As described in the summary report of the Evaluation of Alternatives to Commodity Donation in the School Lunch Program, our savings in storage and transportation more than offset any increase in food prices. If the bonus commodities were to be included as part of the CASH or letter-of-credit system, even more savings could be expected.

The CASH program has reduced inventories at the school level, minimizing spoilage and theft. The mandatory temperature checks on commodities during holidays and vacations have worked a hardship on our managers. The labor cost and travel expense could be saved if commodities were eliminated.

We were not surprised that labor costs were found to be unaffected by the CASH and letter-of-credit systems. In Caddo Parish, we chose not to change kitchen staffing patterns during the study even though we began purchasing more processed foods due to the temporary nature of the project. Nevertheless, we did accommodate more students and added sandwich lines in all middle schools without an increase in staffing during this period. We have not had to increase meal prices in five years despite several salary increases. In my opinion, the Federal government should not perpetuate the high labor cost of the school lunch program by sending commodities needing extensive processing at the school site.

Second, the CASH program has allowed Caddo Parish Schools to better serve our students. The National School Lunch Program was established to provide nutritious meals to children while utilizing agricultural surplus foods. The provision of nutritious meals must come first. Nutrition is good only if it is consumed. We have to serve what kids like. Commodities often come in forms difficult to use. For example, there are simply few ways to use non-fat dry milk in the sandwich-type meals that the students demand.

The American School Food Service Association has joined many health-oriented groups in promoting the Dietary Guidelines for Americans. It is challenging enough to plan low fat meals that children like without having to utilize tons of butter and processed cheese. We are sending conflicting messages to our children. Congress is to be commended for its recent attempt to deal with the surplus of dairy products at the production end rather than increasing consumption of fats. Perhaps other surplus commodities which hinder movement toward better nutrition should be managed similarly. In the meanwhile, CASH or letters-of-credit allow us to purchase foods in the form of our choice.

Third, the Cash-in-lieu of Commodities program has allowed Caddo Parish to better administer its food buying, preparation and service. We must feel secure that the food we order will be delivered when and where it is needed. To serve over 40,000 meals a day, we need thousands of pounds of meat and other food products daily. We cannot just go to the nearest grocery store if the commodities do not arrive as planned. Our volume and quality standards necessitate advance menu planning and formal bidding. This procedure takes months. If the delivery of a commodity is uncertain we have to purchase the product from local vendors. Since we choose to conduct our purchasing in a business-like fashion, we honor our bids. If we do in fact receive the commodity form of the food, we have to store the excess at great cost to the department. Cancellation of orders to local vendors would eventually erode the trust and volume purchasing advantage that we now enjoy. Switching back and forth between market and commodity forms of foods is difficult to manage. Even with computers, substitution of different foods or forms of food is complex and time-consuming. For example, honey cannot simply be substituted for sugar in recipes. The new products must be tested and standardized. Student acceptability has to be assured. The CASH program has given us the flexibility we need to operate our child nutrition programs in a cost-effective manner.

We urge you to allow school districts to choose alternatives to commodities. The CASH system has worked well for us. The letter-of-credit system appears to have many of the same advantages. Either of these systems could be utilized with bonus commodities. They could also be used by programs other than the National School Lunch Program in order to achieve greater efficiency.

Thank you for this opportunity to share our experiences with Cash-in-lieu of Commodities.

STATEMENT OF MARY S. TUTEN TO THE UNITED STATES HOUSE OF
REPRESENTATIVES, SUBCOMMITTEE ON ELEMENTARY, SECONDARY, AND
VOCATIONAL EDUCATION

Mr. Chairman and Members of the Subcommittee:

My name is Mary S. Tuten. I am Director of School Food Service for Edgefield County, Edgefield, South Carolina. For the last four years we have participated in the USDA Alternatives to Commodity Donation pilot study as a cash site.

Until this year, purchasing for food service was decentralized. We have very limited storage. These two factors have hindered us at times in making the most economical purchases possible. Receiving cash has helped us to work on these problems.

Of course we would like to continue to receive the cash-in-lieu of commodities but we are realistic and accept the fact that the letter of credit would give more control to the commodities received, at the same time give local food service personnel the option of selecting the form that is most accepted by students in their area.

The fact that foods can be purchased when needed and students' preferences can be adhered to is a big plus for a change in the commodity program. When commodities that children do not eat are dumped on school districts, I can assure you that we can put it on the tray, but the students complete the dumping process and dump it in the garbage.

Thank you for the opportunity to express briefly my experiences with commodities. Please think about an alternative to the present system of commodities.

STATEMENT OF EMMAJO WILLIAMSON TO THE UNITED STATES
HOUSE OF REPRESENTATIVES, SUBCOMMITTEE ON
ELEMENTARY, SECONDARY, AND VOCATIONAL EDUCATION

Mr. Chairman and Members of the Subcommittee:

It is gratifying to know that I, as a private citizen, can appear before this committee and express my views regarding "Alternatives to Commodities for School Food Service."

When I became Supervisor of School Food Service in Iberville Parish, I was overwhelmed with the amount of surplus foods available to the program. Being overwhelmed soon turned into dismay. Although Bonus items such as butter, cheese, rice, dry milk and, at one time, flour were readily available, the entitlement items such as meat, canned fruit, and vegetables were not. Invoices for products were received, but delivery was never predictable.

Quite often I worked up menus around expected commodities, which were not delivered, and I was forced to make emergency purchases from local vendors. This practice made bidding almost an impossible task. I would often under estimate and sometimes over estimate when issuing bids. Vendors knew this and often increased the bid price to protect themselves should I have to cancel an order when the commodities became available.

When I was asked to participate in the Cash-in-Lieu Study, I didn't hesitate. I felt that, in addition to time saved on paper work, storage and adjusting menus, I would be able to serve a greater variety of foods to the students.

The Cash-in-Lieu Study began in my parish in July, 1982. During the 1981-82 school year the student average daily participation was 88 percent; this current 1985-86 school year,

the average daily participation has risen to 93 percent. See Chart A below for average daily participation for the past five years.

Chart A

YEARS	ADA	ADP	FREE	REDUCE	PAID	ADP%
1981-82	6073	5364	3753-69%	586-13%	1025-18%	88%
1982-83	5731	5206	3857-74%	456- 9%	893-17%	90%
1983-84	5856	5307	3898-73%	459- 9%	950-18%	91%
1984-85	5856	5206	3690-71%	465- 9%	1051-20%	89%
1985-86	5686	5209	3668-69%	558- 9%	1164-22%	93%

Even though the average daily attendance has decreased the average daily participation has increased by 6 percent over a five year period. Iberville Parish can boast of a 100 percent daily participation in all elementary and middle schools. The 6 or 7 percent of students who do not eat in the school cafeteria are high school students who go to school half day or who are in the GCE program. In the four years we've been in the study the average daily participation increase can be traced to the variety of menus and food items served to meet the need of the students. This has been accomplished only because the cash money has enabled the parish to serve what the students will eat, and offer a greater variety of food products.

The cash program has cut down on commodity storage. Although I did not use outside storage I was charged by my school board for storage space in their warehouse. This cost has been eliminated.

Should we go back to commodities, because of limited school board warehouse space, I may be required to look elsewhere for commodity storage at an additional cost to the program.

School Food Service still has a full time employee classified as a truck driver/deliveryman, even though we no

longer use him in this capacity. He is now being trained as a maintenance man. Should we have to return to the commodity program, an additional person would have to be employed either for maintenance or delivery at an additional cost to food service.

School year 1981-82 ended for School Food Service with a balance of \$312,701.81 -- about a two month expense balance -- a balance that did not permit the program to replace needed equipment, or make needed repairs. Even though the money was on paper, it was not always in the bank, forcing us to borrow from the school board to meet some of our financial obligations.

Being in the cash program has eliminated this. School Food Service can now meet its monthly obligations, replace old worn out equipment, and repair broken equipment without borrowing from the local school system. Today the present balance of \$484,964.62 is approaching the three month balance recommended by the State of Louisiana.

In 1981-82 School Food Service had 101 employees. For the 1985-86 school year we have 84 employees. We have not reduced our employees as much as we would like because of the staffing formula for the State of Louisiana. I feel the employees are needed as our system continues to use fewer convenience foods and commercial mixes. It is believed that participation will stay high as long as the students receive meals that taste home cooked. This cannot be achieved with commercially prepared convenience foods, and premixed products.

Participating in the cash program has also freed some of our reimbursements to upgrade our system. We have installed a computer in the central office and are having programs written to make the department more efficient. Without the cash program, this would not have been possible as there were no extra monies after necessities were purchased.

With the cash program we no longer have our money tied up in food products in a warehouse until it can be used. The food

products are purchased when needed and in quantities that will be used within a two week period.

Iberville Parish has used its cash study money to purchase more Louisiana products. Helping the Louisiana farmer has been a goal since we have been on the program.

I feel that, with the cash program, surplus commodities are purchased off the market in an amount equal to those furnished our parish by the commodity program. The difference is I purchase them as needed (not requiring storage), and in a wider variety as compared to the government's lump sum purchase, and the necessary need for storage facilities.

Louisiana began its School Food Service Programs in the 1930's, years ahead of the one began by the Federal Government in 1946, to help the poor and hungry.

Again, in 1982 Iberville Parish was given a chance to help the Department of Agriculture find an alternative to the commodity program. I feel the study has been successful. I am in favor of the cash program, and would like to see it become permanent. Given the chance, I am sure other systems would feel the same.

In the event the committee chooses the commodity program, I hope the pilot sites will be given the opportunity to remain as they are or choose the program they wish to be in.

Mr. Chairman and committee members, I know you will do what is best for the majority of the School Food Service Systems. Taking time to hear the comments of this group certainly indicates your interest.

Thank you very much for allowing me to present my views. If there are any questions, I will be happy to answer them.

STATEMENT
OF
JACKIE LOVE
TO THE
UNITED STATES HOUSE OF REPRESENTATIVES
SUBCOMMITTEE ON ELEMENTARY, SECONDARY,
AND VOCATIONAL EDUCATION

Bremerton School District 100-C has been on the "Pilot Program", for the Study of Alternatives to Commodities, since the 1982/83 school year. Because of this program we have been able to hold our lunch prices at the same level for the past four years and have seen a 10% increase in our participation, despite a 12% decrease in the enrollment.

It is hard to plan 36 weeks of menus consisting of chicken, hamburger, pork and turkey. These forms of products do not give the variety necessary for good participation. We use approximately 95,000 hamburger patties and 1200 cases of french fries alone each year. Fresh fruit is a refreshing change from the canned fruit. There just isn't enough variety in the issued commodities. The USDA can probably buy cheaper but not always. The last shipment of bonus ground beef we received this year was priced at \$1.37 per pound and we have been paying \$1.27 per pound.

We can buy under the National Donated Commodity Processing Program, thereby helping to use up the commodities that are being stored. By buying the more highly processed foods we have managed to reduce labor by 25%.

The savings realized by going to a Letter of Credit System, thus eliminating National and State storage and transportation, and the inherent prices that go with this, should be enormous.

This district has been receiving cash instead of commodities but even the Letter of Credit System would seem like heaven rather than go back to the old commodity system.

Thank you for allowing me to express my views and for the support all of you have given the school food services programs.



PARKERSBURG COMMUNITY SCHOOL
PARKERSBURG, IOWA 50665

*--- A School Touching
 the Future ---*

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 Telephone 346-1012
 Michael Krumm, Secondary Principal
 Telephone 346-1571
 Lloyd Urbaneck, Elementary Principal
 Telephone 346-2446

Statement of Virgil Goodrich to the United States
 House of Representatives, Subcommittee on Elementary,
 Secondary, and Vocational Education.

Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to share with you my thoughts on the alternative to the commodities program, specifically the letter of credit. I am the superintendent of schools at Parkersburg, Iowa. I am expressing the opinions also of the head cook and the secretary charged with the accounting for the lunch program.

Under the Commodities Letter of Credit (CLOC) program, we have found that we are able to provide the most popular and nutritious lunches for our students and eliminating much previously wasted food. Also, by purchasing from companies that are located here in Iowa, we provide some influx into the Iowa economy. The positive effects it has had on our menus is reflected in our high student participation. In general, we believe this program is practical and provides flexibility to help keep our school lunch programs going and yet keeping the prices we need to charge as low as possible.

We would like to urge the members of this committee to do everything in their power to maintain these alternative programs.

Thank you for allowing me to express these views and for the support you, as a committee, have given the school lunch programs.

Respectfully submitted,

Virgil M. Goodrich

Virgil M. Goodrich,
 Superintendent

VG:pg

MAY 12, 1969

STATEMENT BETTY BENDER, R.D. TO THE UNITED STATES HOUSE OF REPRESENTATIVES SUBCOMMITTEE ON ELEMENTARY, SECONDARY AND VOCATIONAL EDUCATION.

Mr. Chairman and Members of the Committee:

My name is Betty Bender and I am the manager of the Food Service Department of the Dayton Public Schools in Dayton, Ohio. I appreciate the opportunity to provide you with information concerning the current commodity pilot study.

In order for you to understand the position of the Dayton Public Schools, it is necessary to provide you with a review of the Child Nutrition Programs as they evolved in Dayton.

The Dayton Public Schools were built on the neighborhood concept. Students ate breakfast and lunch at home except in the secondary schools and two special schools for the handicapped.

When I was employed by the Dayton Public Schools in 1969, the only effort being made to meet the nutritional needs of low income students in a changing society was a small cold box lunch program in the inner city schools and a volunteer breakfast program in those same schools. The commodity program was of minimal concern at that time.

However, times change, and the Dayton Public Schools changed in response to the needs of the community. The federal government recognized the need for expansion of the Child Nutrition Programs. Dayton was the recipient of sufficient non food assistance monies to allow for the expansion of the breakfast and lunch programs to all schools. This was done by the implementation of a central kitchen facility. The design was approved for non food assistance monies. The design of the central kitchen facility maximized the use of ready to eat foods and was highly automated.

The decision to utilize automation and convenience foods was based upon the high cost of labor in the Dayton area and major advances being made in food technology. Our central kitchen is a successful and efficient facility, recognized nationally for its design and productivity. However, its success is based upon utilization of the proper foods. It is at this point that the current commodity program and the needs of the child nutrition program in Dayton are in direct opposition.

Many of the commodities provided to the child nutrition program are not ready to eat. Hence, school systems and state commodity directors spend many hours searching for an acceptable food processor/manufacture to change commodity foods into a usable form for schools, i.e., raw chicken into chicken patties, chicken nuggets and fully cooked chicken. If a food processor/manufacture cannot be found and approved, schools then face the challenge of changing the commodity to a usable and acceptable menu item.

This is an expensive, time consuming process. Schools cannot afford to finance a process that is not cost effective. I firmly believe that the federal government is committed to total cost effectiveness and the commodity program currently does not fulfill this commitment. Examples of foods that are not cost effective for the Dayton system are shown in the attachment.

Based upon the 180 day school year, the average wage per hour, including fringe, is \$12.45 for a Dayton food service employee. Wages such as this prohibit the conversion of commodity products to ready to eat at the local level. It is imperative in our system that commodities be processed by industry. This procedure can be more expensive than purchasing the desired product when needed on the open market.

We in Dayton recognize that all school systems are not alike. There is a difference in eating habits, equipment and facilities, wage scales and food costs. It is not our desire to impose the Letter of Credit upon school systems that have found the current commodity program successful and cost effective. It is our desire to urge the committee to consider the Letter of Credit to become the choice of the local operator, thereby allowing each

district to evaluate and select the commodity program most successful and cost effective in that district.

We in school food service are committed to the commodity program. Since 1946 when the National School Lunch Act became law, schools have been committed to the health and well being of the nation's youth and the utilization of commodities. We believe that this commitment is of benefit to our country, to agriculture, and to schools.

However, just as we in Dayton responded to the needs of the community in the early 1970's and expanded the child nutrition programs, it is necessary that the procedures for handling commodities respond to the needs of school districts and offer options which allow the greatest use of commodities by schools.

Mr. Chairman and members of the committee, thank you for allowing me to provide information on the pilot study. I urge you to consider the possibility of the Letter of Credit as a local option.

ATTACHMENT.

STATEMENT: BETTY BENDER, R.D.
DAYTON, OHIO

Raw Whole Turkey to All White Meat Turkey Roll:

Raw Whole Turkey - 18 lb.	USDA Estimated Price	.769/lb
	Total Cost	<u>\$13.84</u>
USOA Cost of Shipping to Local Distribution Point		(Unknown)
	Total Cost	<u>\$13.84</u>
Local Warehousing - .27/lb.		4.86
State Charge - 1.20/case (2 - 9 lb. Rolls)		<u>.60</u>
		\$19.30
Processing Cost per Roll/Av. 70%/Yield: .63 lb.		<u>\$11.34</u>
18 lb. x .70 = 12.6 lb. Product		\$30.64
Cost per Pound		\$ 2.43
Bid price for Dayton Schools 85-86 school year for all white meat turkey roll - \$1.34/lb.		

Raw Ground Beef:

USOA Estimated Price	\$ 1.01/lb.
USOA Cost of Shipping to Local Distribution Point	(Unknown)
	<u>\$ 1.01</u>
Local Warehousing - .27/lb.	.27
State Charge	<u>.04</u>
	\$ 1.32
Processing Charge	<u>.60</u>
	\$ 1.92
Yield per Lb. = 70%	
Price per Lb.	\$ 2.49
Price per 2.1 oz. Patty	.32
Bid price for Dayton Schools 85-86 school year for fully cooked all beef patty - 2.1 oz.	.206/ea.

May 12, 1986

"STATEMENT OF JEAN MCCALL TO THE UNITED STATES HOUSE OF REPRESENTATIVES, SUBCOMMITTEE ON ELEMENTARY, SECONDARY, AND VOCATIONAL EDUCATION"

Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to share with you my thoughts on the congressionally mandated pilot study of alternatives to commodities in the National School Lunch Program.

I joined our staff the second school year of CLOC's (commodity letters of credit) operation and have worked continuously for its support the past three years. We are a small system of approximately 3800 students.

Commodity letters of credit has posed no problems for our schools. It has been an asset to the entire school food service program. The benefits cause me to voice support for continuing this program permanently. We have seen many positive effects such as:

1. It eliminates large inventory cost by controlling the purchases going into the school.
2. It gives us security for planning that we did not have with commodities. We know in advance what foods are available. We spend our time trying to improve the school lunch program rather than trying to find ways to use commodities.
3. We can have foods delivered at our convenience.
4. We purchase as needed, taking advantage of special offers.
5. We've been able to improve the quality of meals served by using foods in season. Our students have been enjoying fresh strawberries, apples, and frozen vegetables instead of canned products. By buying from local merchants, it also helps our local economy.
6. We have purchased items that had never been on the menu such as pork chops, salmon and chicken nuggets. Chicken nuggets have become one of the favorite meals. Variety appears to be the key element to a successful food service operation.
7. We have more latitude in menu design which has attributed to increased participation. From '83-84, we had a 3% increase and from '84-85 a 2% increase. During this time our ADA (average daily attendance) had decreased, so good meals were in evidence.
8. There was less plate waste because we could offer good nutritional food in the forms that children would eat and still retain control over the commodity market.
9. It has saved us in areas of food cost, transportation and storage cost since we have no central storage space. When you have commodity products processed to a more usable product extra costs such as certification cost, handling and delivery costs and paper work must be added, whereas in CLOC you buy in a acceptable form, thus reducing cost and worry. When all costs associated with the donation of commodities are considered, the end cost of purchased food items is the same or lower than the end cost of comparable food items. We feel that the CLOC program better utilizes the food dollar.

Our concern in returning the commodity program is the effect it will have on participation and the transaction that must take place at the state and local level.

As a result of CLOC, we have been able to hold the price in Loudon County, Tennessee to .80 (K-5), .90 (6-8) and \$1.00 (9-12) for the past four years. If we go on commodities our prices will have to increase. We believe that a nutritionally adequate, affordable school lunch should be available to all students.

I am totally convinced that the CLOC system can work for systems regardless of size or location. The ease of the program and adaptability to our needs warrants our approval. My managers feel that this is an excellent alternative to our present commodity program. They love it and give their vote of confidence.

I urge you to consider our CLOC program carefully and realize that it has given new life to our school food service. I'm asking you to please retain the CLOC program permanently and give other school districts the option of choosing their own program, cash or commodity. We should have the flexibility to serve what our students like so that they will eat without waste. I believe our request is practical and I hope politically feasible.

Thank you for allowing me to express my views for the support of alternatives to commodities program. You are to be commended for the leadership that you and the members of this committee have provided in this study. With your continued support, America's school children will have the opportunity to be healthy and successful students today and productive adult citizens tomorrow.

May 15, 1986

STATEMENT OF RALPH G. HEGNER II TO THE UNITED STATES HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON ELEMENTARY, SECONDARY, AND VOCATIONAL EDUCATION

Mr. Chairman and Members of the Subcommittee:

I welcome this opportunity to express my views on the USDA sponsored Commodity Letter of Credit (CLOC).

Let me begin by informing you that I have 13 years experience dealing with the traditional commodity program. I am employed by Indiana Area School District, Indiana, PA as Food Service Director. The benefits of the CLOC Program to the local economy are quite evident. When our \$40,000.00 commodity entitlement is used for food purchases from local companies, everyone benefits; from the local farmer to the delivery person. The CLOC purchases also enable a supplier to increase the volume of his order from a manufacturer resulting in a lower unit price.

There are many products grown and manufactured in Pennsylvania that deserve the benefits of the USDA purchasing and are supplied to us at a better price per unit. For example, apples grown in central Pennsylvania are certainly less expensive than those shipped by the USDA from the State of Washington.

This Program gives us the flexibility we need and deserve in menu planning. We can serve what the students like and will eat, thus reducing plate waste. Our students much prefer chicken nuggets or chicken patties over the USDA supplied cut-up chicken. The present generation of students are bombarded by the fast food companies, so to stay competitive we must serve these types of menus.

We have been able to increase our participation in the National School Lunch Program from 57.5% to 63.0% since our involvement in the CLOC Program. These results were attained even though lunch prices increased \$0.20 as a result of the Omnibus Reconciliation Act of 1981.

With the flexibility in purchasing provided by the CLOC Program, we have been able to reduce labor hours by 28 hrs/day since the beginning of the Program in 1982. The flexibility mentioned involves the purchasing of preprepared food items which are labor saving as opposed to the generic form in which present commodities are received.

The CLOC Program provides the bulk of the entitlement at the beginning of the year when we can use it most effectively. The present system inherently sends the bulk of the commodities at the end of the school year. This brings two points to mind. Who needs their freezers and stockrooms full during the summer and, why should the school district pay to keep the freezers running? With CLOC the food is purchased, the students buy the lunch, the freezers are empty, and the money is in the bank.

Food distributors deliver once or twice a week so we can get what we want, when we want it, in the quantity and quality we want, with the CLOC program. The present system is very unpredictable at best. America has the biggest and best food distribution system in the world and I do not understand why the federal government runs competition against this system.

I would like to conclude by informing you that, without exception, all the food service directors I explained the CLOC Program to were anxious to be granted such a

May 9, 1986

STATEMENT OF TONI WEST TO THE UNITED STATES HOUSE OF REPRESENTATIVES, SUBCOMMITTEE ON ELEMENTARY, SECONDARY, AND VOCATIONAL EDUCATION.

Mr. Chairman and Members of the Subcommittee:

My name is Toni West. I am the Food Service Supervisor for the Greenwich Public Schools, Greenwich, Connecticut. I am pleased to have the opportunity to share with you my feelings about the Alternative to Commodities in the National School Lunch Program.

The Greenwich Public Schools Lunch Program has benefited by the alternative of cash in lieu of commodities in several ways:

1) Participation in the school lunch program continues to increase each school year. The cash alternative has contributed to this by allowing more flexibility in menu planning. We have been unsuccessful in trying to prepare such commodity food items as prunes, canned peas, cornmeal, canned pork, canned beef, canned chicken and powdered milk in a manner that would be acceptable to children. We are now able to create a menu cycle which includes only those meals with a high rate of student acceptability. We are offering better quality food items which have increased participation. Flexibility allows our menu to change as student preferences change. Our customers have responded by buying more food.

2) Plate waste has decreased because most of the high plate waste items that have been eliminated from the menus were USDA donated commodities. Cleaner plates are also a result of planning menus composed of quality food items which are more aesthetically acceptable and more palatable. Commodity items such as pasta with bugs and rice with worms are not very appetizing. The National School Lunch Act states, that the purpose of the school lunch program is to "safeguard the health and well-being of the nation's children by encouraging them to eat more nutritious food". Nevertheless, no meal contributes to a student's nutritional status unless it is EATEN! We strive to offer good value combined with high quality and sound nutrition. Purchasing power made possible with the cash alternative, allowing local food preferences to be satisfied, has resulted in reduced plate waste.

3) We have more control in the food purchasing marketplace. Because we are purchasing a larger volume of food, we can be more selective over which purveyors we use. We can carefully evaluate product quality and prices before accepting any food item. Often we are able to obtain higher quality products at a lower cost than those that we had been receiving from the USDA. The delivery and storage problems we encountered with commodities have been eliminated. No longer must we scramble to purchase a

substitute or make a menu change because a commodity food item that had been ordered was not available in the State Warehouse at the time of delivery. Since we do not have to store large quantities of slow-moving commodities, we are able to purchase bulk amounts of desirable food items at the lowest market prices.

Accepting, storing and processing food that is not popular with children is very costly indeed. Many commodity food items have been replaced by similar foods in different forms. We are able to purchase more fresh and frozen fruits and vegetables and better quality food items which are less labor-intensive. Labor costs have been reduced because we have to handle these foods less. We cannot afford to be a dump site for surplus commodities just because they are surplus. These foods do not always reflect the best food for student consumption. This food is not really free. It costs us customers.

Our customers are children. There is a general business rule that 20% of the products that you deal with accounts for 80% of your business. If you take a good look at the commodities offered school lunch programs, about 20% would be useful and popular with children. The rest are very difficult to use in a school lunch program. Such commodity items as butter and cheese are featured on our lunch menus less frequently than in the past, due to recent USDA Dietary Guidelines which advocate a reduction in the fat content of our meals. Other items such as honey, sweet potatoes, whole wheat flour, grapefruit juice, apricots, plums and brown rice are very poorly accepted by our students. The cash alternative has allowed us to eliminate these items all together.

The only way we can keep our school lunch program cost effective, after absorbing budget cuts and struggling with declining enrollment, is to strive to increase participation. By encouraging more children to eat lunch we can keep the cost of the lunch down. Our school lunch program is a non-profit business and it must be customer-oriented if it is to survive. I urge you, Mr. Chairman and members of this committee, to do everything in your power to keep the Alternatives to Commodities in the National School Lunch Program active. I can no longer afford the cost of receiving "free" commodities.

May 14, 1986

STATEMENT OF JANET MC COWN, R.D. TO THE U.S. HOUSE OF REPRESENTATIVES SUBCOMMITTEE ON
ELEMENTARY, SECONDARY, AND VOCATIONAL EDUCATION

Gilroy Unified School District has been fortunate to have been on the Commodity Letter of Credit (C.L.O.C.) program for the past four (4) years. As Director of the Food Service Department, I speak for the whole district in saying that we think Letter of Credit is the best, most sensible, most efficient use of taxpayers dollars, and the best way to support the farmers of America.

We have been able to serve foods our customers (the students) like, such as Chicken Nuggets and Turkey Sandwiches, rather than the traditional commodity items, such as chicken pieces and whole turkeys.

There are many areas of the Food Service Department which have benefited from the C.L.O.C. program.

Area 1: Menu items are geared to what students prefer; more sandwich items and fewer casseroles.

Area 2: Purchasing is done according to local preferences and fresh agricultural products available. I have used C.L.O.C.'s to purchase fresh apples, grapes, and other fruit. The dry bean C.L.O.C. was used exclusively for a delicious refried bean mixture made at Gilroy Foods and distributed nationally.

Buying is done through distributors responsive to our needs so that, if a problem should arise with a product (such as the USDA ground beef), the vendor who delivered will immediately pick up and replace the unusable goods.

Area 3: Deliveries come when it is best for the District, not when convenient for the trucking firm. We have not had to pay for additional storage. A neighboring district tells me they plan to spend \$10,000 each year for rental of space for commodities as they come in.

Our warehouse is not packed to the ceiling, necessitating climbing over cases to get to items, running the risk of injury when twisting in tight places. Instead we get weekly deliveries, allowing more efficient use of storage space and no wasted time moving items from place to place.

Area 4: Serving lunches to the children has been simplified with the use of more prepared items. This makes it possible to save Food Service dollars by not replacing absent employees with substitutes.

Area 5: Bill paying has taken more time while on the program, but we are able to get better prices for groceries than neighboring districts, because we purchase larger quantities.

With the Letter of Credit we buy just what we need and seldom turn away the money from commodity. When we were on the commodity program, many items were refused, because we were not able to use them. With the Letter of Credit we have been able to obtain the product in a useable form and thereby make the most of the entitlement.

Thank you for allowing us to tell you a little more about the great program called Commodity Letter of Credit. Many school districts in California have heard about it and believe it could do great things for them, too. I hope you will allow them to select an Alternative to Commodities.

MAY 15, 1986

TESTIMONY OF MRS. DOLORES BARNABEI BEFORE THE U. S. HOUSE OF REPRESENTATIVES EDUCATION AND LABOR COMMITTEE SUBCOMMITTEE ON ELEMENTARY, SECONDARY AND VOCATION EDUCATION

Mr. Chairman and Members of the Subcommittee:

I am the food service director for a medium size school district in Texas. My district has been in the Study of Alternatives to Commodities as a Commodity Letter of Credit recipient. I wish to emphasize the importance of the Commodity Letter of Credit as a basis for controlling costs and increasing participation. With the CLOC Program, we have been able to implement cost efficient strategies that are used by businesses to control their costs. We have a cycle menu with pre-costed recipes, and use standardized food-stuffs that yield pre-determined portions. We have a specific number of meals prepared per man hour. We have implemented "offer versus serve" in K-12 and are able to offer a choice of all components of the Lunch and Breakfast Programs. With the Commodity Letters of Credit, we are able to extend our bid periods over a longer length of time, which lowers our cost per volume. With the Commodity Letters of Credit we are able to purchase more fresh fruits and vegetables, thus reducing the fats and sugars in our menus. In the Food Service Research Review, Vol. 8, No. 1, Spring, 1984, ASFSA has determined 12-16 meals per man hour as efficient. We average 17 meals per man hour. Serving 12,000 meals a day, this means we are able to produce 715 meals in excess of the norm.

At this time of the year, most food service directors are preparing for next year, writing menus, bidding. In our district the first step is to send out an Elementary menu survey to the second and fourth grade students, then we rank the entrees according to acceptability. Of the top twelve items, eight reflect the Hispanic influence of Southern Texas. With the Open-Order CLOC, we are able to purchase suitable ingredients for these items: taco shells, flour tortillas, corn tortillas, chalupa shells and with the Dry Bean CLOC we are able to serve our favorite, pinto beans.

I bring this to your attention to stress that different locales of this country have specific preferences for various foods, and with

the CLOC's we are able to buy those particular foods which the students will eat, not throw in the garbage. While navy beans are not the proper ingredient for chili and beans, nor are pinto beans ideal for Boston baked beans, they are both dry beans.

On Friday, May 3, 1986, our local paper ran a press release entitled "Free Food Better Than Cash: USDA" which quoted Assistant Secretary John W. Bode as saying, "the commodity donation system provides 'significantly more food' to the school lunch program than would be available with cash or vouchers." The article did not mention the quality of that food.

Having worked in school food service for nearly 20 years, I am delighted to have the opportunity to serve a consistent, good quality of food at a price comparable to the commodity assessment; actually at a lower cost, since we do not have the additional fees of storage and transportation. Nor, do we have the problems that are be-setting food services in neighboring districts disquising, or making palatable, some of the commodities received. One of my associates with limited freezer space has ground beef on hold by USDA. In a similar situation, even the cooked purchased ground beef was picked up and credited by the vendor. Another district received Commodity meat patties which were almost impossible to use. In the past, we have had to grind them in order to make them edible. Another plus of the alternatives programs is to be able to refuse improper deliveries without undue paperwork. If a case is broken or squashed, we refuse delivery and the driver takes it back and we receive credit.

When I have baked potatoes on the menu, they are fresh, grade A, and uniform in size. They have not been stored so long that they are sprouting.

The State of Texas is a producer of corn, oats, peanuts, rice, wheat, sweet potatoes, tomatoes, peaches, beef, pork, chicken, turkeys, milk and eggs. These are items which are supported by the Commodity and CLOC programs. It seems reasonable that we purchase locally and save USDA the cost of distribution.

What I am emphasizing is that the American tradition of free enterprise is practiced by CLOC to ensure our nation's children

the best quality and freshest food that can be produced in our country for a reasonable cost.

With the CLOC Program, I am able to purchase food items that have child appeal. We serve a great many items similar to ones advertised on television for young children. It was amusing to hear that a six-year-old told his mother that Mac Donalds' had chicken bits just like at school.

Mr. Chairman, at this time, when our government faces economic problems, I feel that the child nutrition programs can best serve, and be served, with the alternatives to the commodity distribution programs. If the schools were allowed to purchase on open market, items specified in Commodity Letters of Credit, we could be an effective tool in lowering commodity cost of transportation and storage on the national level and still be a distribution outlet for our nation's agriculture commodities.

Therefore, I request that the Commodity Letter of Credit be allowed to continue permanently, and that it should be extended to all school districts that desire it, and that these procedures be studied in a manner that will determine the Commodity Letter of Credit Program's effect on our economy and as being in the best interest of the Child Nutrition Programs.

MAY 15, 1986

TESTIMONY OF MRS. CONSTANCE HEVLY, R.D. TO THE UNITED STATES HOUSE OF REPRESENTATIVES, SUBCOMMITTEE ON ELEMENTARY, SECONDARY AND VOCATIONAL EDUCATION

Mr. Chairman, Mr. Hawkins, and Members of the Subcommittee:

My name is Constance Hevly. I am a registered dietitian and Food Service Supervisor for the Shoreline School District in Seattle, Washington. My district has been a participant in the congressionally mandated pilot project study of alternatives to commodities in the National School Lunch Program since the onset in 1981-82, which was a planning year involving just 10 school districts.

For the past three years, 64 pilot school districts have been testing the use of cash in lieu of commodities or a commodity letter of credit, which entitles them to purchase locally those commodities which the U.S. Department of Agriculture wants supported through School Lunch Program purchases. Shoreline has been using the Commodity Letter of Credit option, which I will refer to as "CLOC".

Study results show that the impact on the national agricultural markets is the same as the present system.

The USDA argues that if CLOC is just as effective as the current program, why change? Our answer to that is that although market impact may be the same, the advantages to the School District far outweigh the present commodity donation program.

Study results also show that when all costs associated with the donation of commodities are considered, the end cost of purchased items is the same or lower than the end cost of comparable donated food items.

The following are the advantages I have seen of the CLOC alternative.

1. Food costs are as low as and often lower than what neighboring districts are paying. (In just one instance, that of all-beef patties, my price, delivered weekly, is \$1.04/lb. as opposed to the \$1.364 that districts in our state are paying by the time the USDA ground beef is stored, transported and processed.)
2. Competition among vendors was stimulated by increased dollars being spent--we now have more vendors and are paying lower distribution costs.
3. Storage, handling and transportation costs were eliminated at the national, state and local level.
4. Plate waste has been reduced.
5. Student participation increased (12.3% the first year on the program) because commodities can be purchased in a form that best suits the tastes of our students.
6. Commodity money can be traded over the phone with districts in other regions of the country before it is spent, allowing for regional preferences.
7. Commodity money can be spent on a greater variety of items including more perishable foods. (See the attached history of Shoreline CLOC purchases.)
8. The time lag between the time an item is ordered and actually delivered is much shorter than with the present commodity system.
9. The local economy is stimulated for the farmer, the processors, the brokers and the distributors.
10. Problem commodities vanished because of the latitude allowed in CLOC purchases and the ability to trade or refuse commodities.
11. CLOC has enabled us to keep from raising lunch prices.

Testimony - Constance Hevly
Page 2

Mr Chairman, Victor Hugo said, "There is one thing stronger than all the armies in the world, and that is an idea whose time has come." Those of us on CLOC and Cash think that CLOC is an idea whose time has come.

CLOC is the only alternative that allows choices to be made at the local level while still supporting farm prices. Cash allows choices at the local level, but there is no requirement to buy particular commodities at a particular time. The Cash sites agreed that they "could live with" CLOC. In fact, those testifying today unanimously prefer it to the present commodity system.

With the emphasis of the current administration on the decentralization of federal functions, as well as concern about the federal deficit, it would seem that the CLOC alternative would be everybody's answer to the problem. It aids the farmer as well as stretching the dollar for the school districts. Every penny is usable by the schools, and if CLOC were to be used for bonus items as well as entitlement, it can remove 1-1/2 times the amount that can currently be removed, and all at the local level. If CLOC were an option for those interested districts, and we know of more than 300 districts that would choose that option today, the government could buy, process, store, and transport that much less at the national and state level. We wholeheartedly agree that there has to be a better way and we are convinced that we have found it.

CLOC is administratively workable. CLOC is cost-effective. CLOC is preferred by all of us who use it.

At a time when child nutrition funds are threatened at each budget making session, we need to save every penny we can if the School Lunch program is to survive.

The traditional commodity recipients are so used to putting up with the present system that they don't realize that there can be a better way. Those of us in the study have had our eyes opened, have had a little glimpse of heaven, and have high hopes for the future for our nation's children. We think that, with your continued help, we can see a way to help preserve the lunch program.

The late Dick Scobee, Commander of the space shuttle, Challenger (the shy, polite Auburn, Washington kid who kept working toward a goal and wound up a national hero) said, "It is only when we accept our problems as challenges that we can make today's dreams tomorrow's realities".

We dreamed of a better way and now we are confident that through the democratic process, it can become a reality. With your help, we would like to see the CLOC alternative offered as an option at the local district level.

Thank you for giving me an opportunity to express my views.

SHORELINE SCHOOL DISTRICT NO. 412
Food ServicesSHORELINE CLOC PURCHASES

<u>CLOC</u>	<u>Cloc + 1/2 yr Bonus 1982-83</u>	<u>Cloc Only 1983-84</u>	<u>Cloc + Bonus 1984-85</u>	<u>WOULD BUY IN FUTURE</u>
Chicken	Patties/2.5 oz. Nuggets Patties/3 oz.	Patties/2.5 oz. Nuggets	Nuggets	Nuggets
Beef	Patties	Patties	Patties Ground Beef Roast Beef	Patties Ground Beef Roast Beef
Pork	Saus. w/ a Tpg. Pepperoni/sliced Patty w/ d Bacon/slices Bacon Ends Ham Shanks	Sausage Pizza Bacon Bits Patty Crum. Pizza Pepperoni/sliced Bacon Ends BBQ Pork Ribs (patty) Bacon/slices	-----	Saus. Pizza Topping Sausage Patties Bacon Ends Bacon/slices Bacon Bits Pepperoni/sliced Ham Shanks Ham
Turkey	Canadian Bacon Corn Dogs Turkey Sticks Bologna Salami Patties Breasts/Boneless	Ham Canadian Bacon Salami Wieners Breasts/Bone in Corn Dogs	Corn Dogs Salami Pastrami Bologna Ham Breasts/Boneless Wieners Pulled Meat (tried w/own money)	Corn Dogs Salami Pastrami Bologna Ham Roasts Breasts Wieners
Peaches/Pears Mixed Fruit	Fruit Mix/canned Pears/dehydr. Peaches/sliced	Pears/canned Peaches/halves Peaches/sliced	Pears/halves Peaches/diced Pears, diced (own money)	Pears/canned Peaches/canned Pears/diced Peaches/diced
Pineapple	Tidbits	Tidbits	-----	Tidbits
Apples	Turnovers Fresh apples Juice	Rings/dehydr. Fresh apples Juice/46 oz. Juice/4 oz./frzn	Juice/46 oz. Cubelots/canned Applesauce Dehydr/own money Fresh/own money Juice/4 oz./frzn (own money)	Fresh apples Cubelots/canned Applesauce Juice/46 oz. Juice/4 oz./frozen Chips/dehydr.
Corn	Canned/W.K.	Canned/W.K. Coblet/own money	Canned/W.K. Fresh/Cob	Canned/W.K./Cmrd. Frozen/Coblets Frozen/W.K. Fresh/Cob
Green Beans	Traded/Beef	Traded/Walnuts	Traded/Salmon Canned	Trade or Refuse Some Canned
Peas	Traded	Refused/Walnuts	-----	Trade or Refuse Some Frozen
Mixed Vegetables	-----	-----	Corn/Canned/W.K. Traded/Salmon	Corn/Canned Peas/Frozen
Dry Beans	White Split Peas/green Great Northern Lentils Garbanzo/cnd Kidney/cnd	Garbanzo/cnd Kidney/cnd	Split Peas/green Navy/dry Kidney/dry Kidney/cnd Traded	Split Peas Navy/dry Kidney/cnd Kidney/dry Lentils Garbanzo Trade or Refuse
Sweet Potatoes	Canned	Canned	Refused/Crapes	Trade or Refuse Canned--few

Gloc Purchases
Page 2

<u>GLOC</u>	<u>1982-83</u>	<u>1983-84</u>	<u>1984-85</u>	<u>WOULD BUY IN FUTURE</u>
Potatoes	French Fries Tater Tots	French Fries	French Fries Spud bites Tater Tots Potato Skins Fresh Pearle	French Fries Spud bites Tater Tots Potato Skins Fresh Pearle
Tomatoes	-----	Pesto Fresh	Catsup Canned Fresh Paste	Catsup Canned Pesto Fresh Pures Soup
Open Order	Pizza Shells Tortilla Chips Flour Tortillas Tostada Shells Soy Sauce Salad Dressing Mayonnaise Taco Shells TVF Cornstarch Shortening A.P. Flour Bread Flour Hamburger Buns Bread	Cornstarch Spaghetti Saltines Hamburger Buns Tortilla Chips Rolled Oats Raisin Bran Cornflakes Peanuts Corn Chips Rice Krispies A.P. Flour Bread Flour Pizza English Muffins Bread Mayonnaise Flour Tortillas Shortening Crunch Cups Cheerios Woolies	Cookie Dough ---Flour, Oats ---Margarine ---Soybean Oil Corn Chips Reditalia/Shells Cornflakes Pizza Salad Dressing Tortilla Chips A.P. Flour Bread Flour Mayonnaise Shortening/liq/solid Saltines Salad Oil	Same as past 3 years except no crunch cups
Cherries	Squares Pie Filling	----- -----	Tart Pie Filling Traded/Salmon	Pie Filling Trade
Lemons	Lemonade	-----	-----	Lemonade Trade or Refuse
Plums	-----	Refused/Pork	-----	Fresh Trade or Refuse
Honey	Packets	-----	-----	Packets Cans
Walnuts	-----	Granules	Refused/Almonds	Granules Pieces
Blueberries	-----	Frozen/IQF	Frozen/IQF	Frozen IQF
Prunes	-----	-----	Refused/Almonds	Refuse
Grapes	-----	-----	Juice/Frzn/32 oz Green/Seedless/cn Maraschino Juice/4 oz. Green/Fresh Red/Fresh Raisin Bran Raisin Cookie Dough	Same as 84/85 Probably no Maraschino
Salmon	-----	-----	Fresh Frozen	Fresh Frozen
Almonds	-----	-----	Smokehouse Paste	Smokehouse Paste

Glac Purchases
Page 3

GLAC	1982-83	1983-84	1984-85	WOULD BUY IN FUTURE
Dairy Products	Cheese/Mozz. Ice Cream Fudgesicles Ice Cream Bars Dixie Cups Eskimo Pies Drumsticks Koot Bear Float Bars Creamsicles Milk/gal. Pts/white/choc. Shake Mix --A.P. & Choc. Cottage Cheese --Reg. & Trim Half & Half Farmhouse Cheese Cream Cheese	-----	Milk/gal. Pts/white/choc. Shake Mix --A.P. & Choc. Yogurt/Plain --Pineapple --Raspberry --Mixed Berry --Orange --Blackberry --Blueberry --Strawberry Cheese/Amer./sl. --Monterey Jack --Cream Pudding Pops Rice Krispies Honey/Pockets Buttermilk Sour Cream Ice Cream --Mouth Bars --Creamsicles --Bars, Cups --Fudgesicles --Vanilla Sandwiches --Eskimo Pies --Dixie Cups --Nestle Crunch Bars --Sidewalk Sundaes --Missile Bars Cookie Dough/Butter Milk/1-2 gal. --1/3 qt.	Same Butter Cheese/Amer./Processed

2/15/85
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MAY 15, 1986

STATEMENT OF DEBORAH M. KARPEN TO THE U.S. HOUSE OF REPRESENTATIVES
EDUCATION AND LABOR COMMITTEE SUBCOMMITTEE ON ELEMENTARY,
SECONDARY AND VOCATIONAL EDUCATION

Mr. Chairman and Members of the Subcommittee:

My name is Deborah Karpen. I am the Business Manager of the Elk Point Public School in Elk Point, South Dakota. I am also the authorized representative for reporting to the State Food and Nutrition Service.

Mr. Chairman, in 1946, the National School Lunch Program was established. One of its main objectives was "to encourage the domestic consumption of nutritious Agricultural Commodities". Until 1982, the Elk Point School Lunch Program accomplished that objective by use of commodities received from our State Distribution Agency.

We, in Elk Point, began participating in the Commodity Donation Study with a Fund Balance of \$11,000.00. Our Fund Balance as of May 1st of this year is \$34,000.00. It is my opinion that this improved financial position comes about exclusively as a result of our participation in the Study.

The study encompassed a period in which the Elk Point School District experienced a decline in enrollment from 573 to 525 students. Despite the decreased enrollment, our Total Student Participation as a percentage of enrollment increased by 13.99%. We served 43 additional meals each day. The participation of paid students participating increased by 9.33% whereas the participation of Free and Reduced priced meals increased by only 4.66%.

As a participant in the Study, we were given the opportunity to purchase commodity type foods in a different form than that which the Department of Agriculture purchases. We no longer had to disguise the commodities we received so the kids would eat them. We made better use of our commodity dollars. Our usage of commodity products increased by 5.44¢ per meal from 16.11¢ per meal to 21.55¢. Our financial position had prevented us from hiring the labor necessary to make the most efficient use of the commodities we received before the study began.

Our storage space in FY 1982 was sometimes crowded and overflowing. We often had to pay overtime on the days when commodities arrived so the cooks could find a place to store the order. Participation in the study gave us the latitude of having weekly deliveries made rather than the monthly deliveries we were accustomed to. Our inventory at the end of June 1985 was \$2338.11, less than half of our inventory at the beginning of the Study.

The reporting requirements associated with the study are not overwhelming. It takes me about 45 minutes to prepare the forms each month.

We have been able to support our local producers by purchasing commodity type products. The firm which received the South Dakota bid for Ground Beef purchases less than 50% of its cattle from South Dakota producers. Our supplier purchases more than 70% of its cattle from South Dakota producers. The company does not have the capability of flash-freezing the quantity of Ground Beef required by the State bid, but can satisfy our needs.

We also purchased fresh tomatoes from a local farmer. It went better with submarine sandwiches than commodity tomato paste would have.

It has been our pleasure to be a Commodity Letter of Credit site in the Commodity Donation Study. Mr. Chairman and members of this committee, I urge you to consider making the Commodity Letter of Credit a permanent option for us and for other School Lunch Programs.

Thank you for allowing me to express my views and for the support you as a committee have given our school food service programs.

May 13, 1986

TESTIMONY OF MRS. PAT HOLSTEIN, FOOD SERVICE DIRECTOR LEXINGTON COUNTY DISTRICT THREE SCHOOLS BEFORE THE ELEMENTARY, SECONDARY, AND VOCATIONAL EDUCATION SUBCOMMITTEE UNITED STATES OF REPRESENTATIVES

Mr. Chairmen, Mr. Goodling, and Members of the Committee:

My name is Pat Holstein. I am food service director for Lexington County District Three Schools. For four years we have taken part in the USDA Commodity Letter of Credit pilot program.

Mr. Chairman, we are pleased with the program. As food service director, I bid and buy the food for the entire district. This food can be bought at a cost as low as or lower than the USDA price with no shipping or storage costs or problems; therefore, the program is benefiting the district financially. Food can be purchased when it is needed or wanted so the menus can be varied and the meals made more appealing to the students.

Our school district is firmly in support of the Letter of Credit as a better alternative to the present commodity system. It can relieve the farmer's surpluses and provide price support.

As a result of having letters - of - credit, the district has more buying power. Our school district food services works on a tight budget without local tax dollars. We operate efficiently and plan well. The average cost for food per meal in South Carolina school food services last year was \$.5537. In Lexington County District Three food services, the cost per meal was \$.4731. More money is spent in South Carolina for South Carolins apples, chickens, ground beef, etc.

I am enclosing a copy of a Letter - of - Credit for the purchase of beef. When you look at the wide range of products we can buy, I think you can understand how beneficial this would be. Instead of having a freezer full of ground beef, we can buy a wider variety of products more acceptable to the children and easier to use.

Thank you for allowing me to express my views. Please consider the Letter of Credit as an alternative to the present system of commodities.

Food and Nutrition Service
U.S. Department of Agriculture
Commodity Donation Demonstration

CLOC No.: E-014-013-26
Date of Issue: 01/01/86

Commodity Letter of Credit

for the purchase of: "

Beef

Issued to:

Lexington School District #3

in the amount of:

\$2,077

To be purchased no later than:

06/30/86

To be delivered no later than:

12/31/86

You are authorized to purchase this commodity in amounts up to the dollar limit noted above. On receipt of a satisfactory proof of purchase, your Demonstration Account will be credited for the amount of the purchase or that part of the purchase meeting the requirements noted below.

Full credit, up to the limit noted above, will be made on the following products:

Beef (Roasts, Ribs, Stew Meat, etc.)
Chopped Formed Steaks
All Beef Hot-dogs
Beef Liver
Canned Beef
Veal

Ground Beef, up to 20% VFP
Dried Beef
All Beef Lunchmeat
Ground Beef Patties, up to 20% VFP
Any Product Which is 90% Beef

Partial credit will be given when one or more of the above products is an ingredient in a processed food. Credit will be given for that portion by weight of the food the commodity represents. The commodity will be valued at current market prices.

To qualify for credit, the product must be composed only of targeted commodities produced in the United States. All products shall be processed, packaged and delivered in accordance with regulations of the U.S. Department of Agriculture and requirements of the Federal Food, Drug and Cosmetics Act and regulations stated therein.

For further information regarding the proper use of Commodity Letters of Credit, call the Commodity Donation Study at (800) 336-3342 between the hours of 9:00 a.m. and 5:00 p.m. (Eastern Time Zone), Monday through Friday.

This Is Not Negotiable

STATEMENT

OF

JOYCE LAREAU, R.D.

TO THE UNITED STATES
HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON ELEMENTARY,
SECONDARY, AND VOCATIONAL
EDUCATION

MAY 14, 1986

Mr. Chairman and Members of the Committee, my name is Joyce Lareau. I am a registered dietitian and operate a school lunch program that is currently participating in the Commodity Donation Demonstration Study as a CASH site.

I would like to discuss some of the effects this alternative method has had on the school lunch program at Huntington Beach City School District in Huntington Beach, California.

Even in the face of declining enrollment and an increase in our lunch price, our participation has increased 10% since we have been in the study. A number of factors have influenced participation in the National School Lunch Program. The CASH alternative has allowed us flexibility in menu planning. We have restricted our menu selections to include only those meals that have high student acceptability. We feel we are able to purchase higher quality products that are more appealing to the students.

Plate waste has declined since we have been in the study. We were able to eliminate the USDA donated commodities, such as sweet potatoes and peanuts, that the students would not eat.

Our costs are down in a number of areas, due to participation in the CASH alternative. We did not have to increase our number of food production employees, due to the fact we are able to buy many convenience foods. If we were still receiving labor-intensive commodities, such as turkey and chicken, we would have to add extra employees.

Receiving cash instead of commodities meant we did not have to rent extra storage for commodity products nor did we have to pay our delivery driver to pick them up and bring them to the Central Kitchen. Our own freezers can handle the deliveries we receive from local vendors.

Also since we have been in the study, each of our freezers has broken down. If we were still receiving and storing commodities, we would have lost a large percentage of them.

Our local food purchasing has changed since we have been in the study. We are able to obtain better prices due to the fact we can anticipate our needs for the entire school year, bid our food items and buy in bulk.

In conclusion, I feel that the alternatives (CASH and CLOC) to commodities have improved the operation of our National School Lunch Program by increasing participation and lowering costs. This in turn has allowed our school district to end each year "in the black".

Finally, Mr. Chairman and members of this Committee I urge you to support an alternative to the commodities program.

Thank you for allowing me to express my views and for your support.

STATEMENT OF
VIRGIL PUFFENBERGER, CHILD NUTRITION SUPERVISOR
For The
PENDLETON COUNTY SCHOOL SYSTEM IN WEST VIRGINIA

To The

UNITED STATES HOUSE OF REPRESENTATIVES
SUBCOMMITTEE ON ELEMENTARY, SECONDARY AND VOCATIONAL EDUCATION

MAY 15, 1986

During the past four years the Pendleton County School System has participated in the "Alternatives to Commodity Distribution" study to determine the most effective method for the United States Department of Agriculture to deal with the distribution of surplus farm commodities to the local school districts.

Pendleton County was chosen as a school site to participate in the study through the "Commodity Letter of Credit" program. This program has been very successful for our county, and we feel that it is superior to the other alternatives for the following reasons:

1. The CLOC program allows us the flexibility of purchasing commodities from local merchants, local farmers and fruit growers; therefore, enabling us to utilize more fresh fruits and vegetables in our hot lunch programs.
2. Since we can bid in larger quantities, we can get better prices, which enables us to cut the costs of operating the hot lunch program.
3. Foods are delivered to individual schools, thus eliminating delivery and storage costs. Under the USDA Commodity Donation Program, commodities were delivered to one school, with very limited storage space. The county was then responsible for delivering these commodities to the other schools. In addition to this expense, the county was responsible for paying delivery costs on USDA commodities to the state agency.
4. Another advantage of the CLOC program, and probably the most important, is that the commodities can be purchased in a variety of forms. For example, USDA delivered whole frozen turkeys to the county. The CLOC program permits the purchase of turkey products, such as, turkey hams, turkey rolls, turkey roasts, turkey hot dogs, turkey pot pies, etc. This also permits us to offer a more varied menu, which not only helps us offer foods the students like, but also reduces the work load of the cafeteria employees.
5. We feel that this program has contributed a great deal to the stabilization of our student participation. Our participation has not increased greatly; however, this is due mainly to the decrease in our student population.
6. The CLOC permits the U. S. Department of Agriculture to control the commodities purchased by the school system, yet allows the purchase of commodities in the form best suited to the needs of the system.

I have mentioned only a few of the many advantages the CLOC method of distribution has over the other alternatives. We in Pendleton County, West Virginia, would like to continue operating our child nutrition program under the CLOC method of distribution.

We, therefore, solicit your support for the continuation of this program.

Thank you for allowing me to express my views on this program and for your support of the child nutrition programs.